KPMG's Corporate and Indirect Tax Rate Survey 2007

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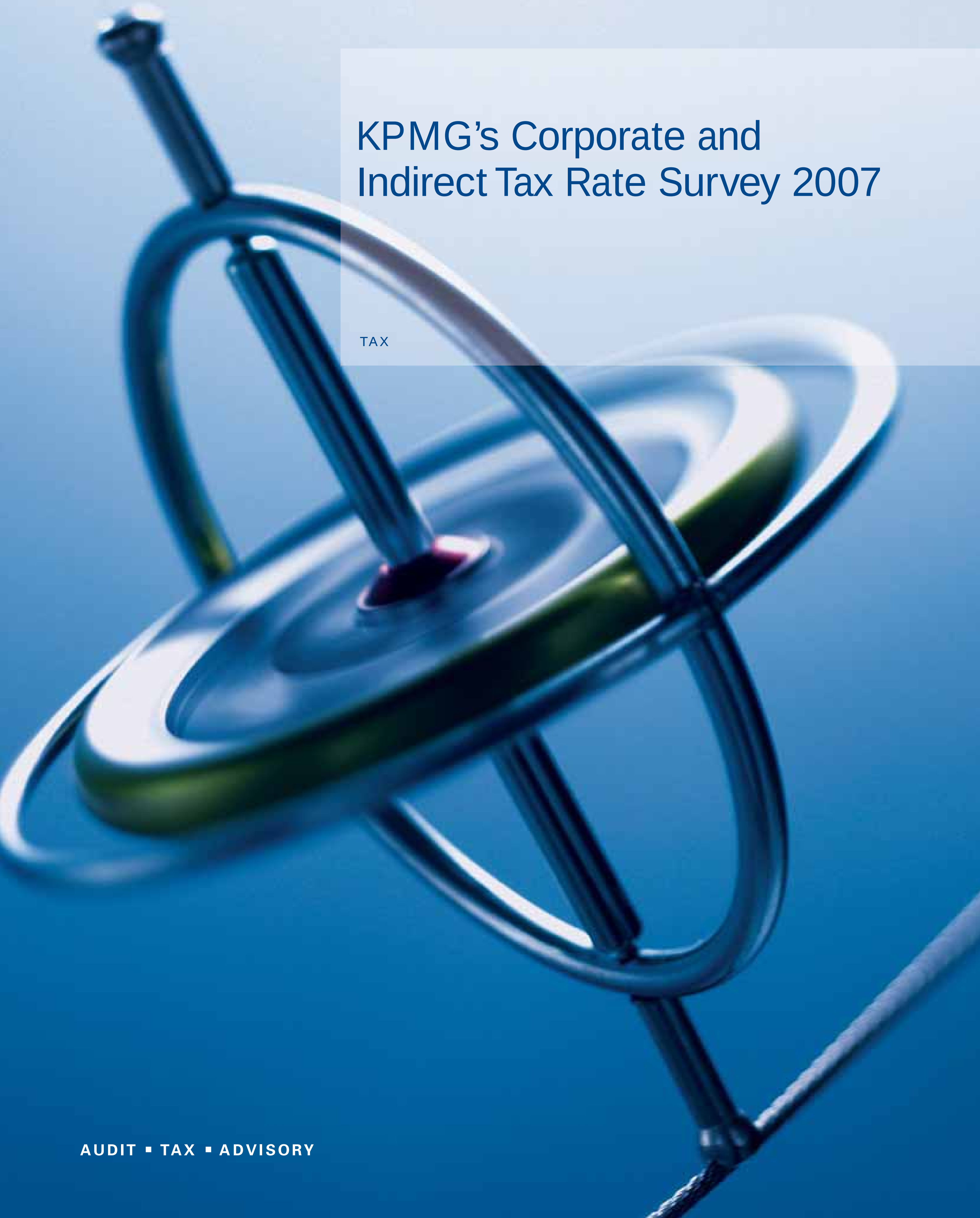

AUDIT ▪ TAX ▪ ADVISORY

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KPMG's Corporate and Indirect Tax Rate Survey 2007 Commentary

Following the worldwide interest in our long term corporate tax rate survey, published in November last year, which tracked trends in corporate tax rates from 1993 through to 2006, we have made some changes to the information we present in this annual survey.

Rather than giving a simple snapshot of tax rates in 2007, we have added the 2007 rates to our long term series to provide a 15 year record. We have also, for the first time, included indirect tax rates, that is Value Added Tax (VAT) or Goods and Services Tax (GST).

We have done this because of the increasing importance that indirect taxes seem to be playing in the revenue-gathering strategies of many countries around the world. It is too early to call this a worldwide trend. But there is a clear tendency among nations in competition to attract and keep inward investment, to reduce their corporate tax rates and seek to make up the shortfall with increases in indirect taxes. This is rather than relying solely on growth brought about by corporate investment to expand the tax base. These tactics suggest that as well as attracting new investment, retaining current investments is a success in itself.

An exposition of this policy was made in a speech in November last year by Singapore's Prime Minister, Mr. Lee Hsien Loong. Speaking to the Singapore Parliament, he said: "If we have to bring our corporate tax down, every percentage point we bring it down will cost us $400 million a year. It is big money. Therefore, we need to consider raising indirect taxes, in other words, the Goods and Services Tax (GST). It is now five percent; I think we need to push it up to seven percent. Even seven percent will still be lower than nearly all other countries which have GST or VAT. But if we raise it from five percent to seven percent, it will give us precious extra resources to implement social programmes."

This is exactly what the Singapore Government did in its 2007 Budget, announcing a 2 percent cut in corporate tax rates to 18 percent from next year, and an increase in GST to 7 percent.

Despite this increase, as Mr. Lee said, Singapore retains one of the lowest VAT/GST rates KPMG firms have recorded for this survey. Leaving aside those countries where VAT/GST or their equivalent are levied by states or provinces rather than the federal authority, the lowest rate we have found is Aruba, which charges just 3 percent. The highest rate we found is 25 percent, charged by Sweden, Denmark and Norway.

On the level of regions and economic alliances, our research has shown that the average VAT rate in the EU is higher at 19.5 percent than the average in the OECD countries (17.7 percent), in the Asia Pacific countries (10.8 percent) or the Latin American countries (14.2 percent). It is difficult to draw any specific conclusions from this because of the huge number of special rates and exceptions which many countries apply to their indirect tax regimes. But overall, indirect taxes do seem to be taking on more significance.

Across the OECD countries, for example, the average VAT/GST rate has held steady over the past six years while the average corporate income tax rate has fallen by more than a tenth, from 31.4 percent to 27.8 percent. So without changing rates, VAT/GST and VAT/GST type taxes have become steadily more important as sources of revenue.

In 2003 (the last year for which figures are available) the average contribution of VAT/GST type taxes to government revenues across the OECD rose to 32.1 percent, having stayed between 31.2 and 31.7 percent for each of the previous five years. In some OECD countries, Mexico and Turkey in particular, VAT/GST already contributes around 50 percent of government revenues.

This seems to be a trend, but a cautious one, and some commentators have asked why governments don't rely even more heavily on indirect tax revenues. One answer is that higher indirect taxes are politically difficult to introduce. The link between higher indirect taxes and higher prices is obvious to anyone who buys goods and services, but the link between lower corporate tax rates and increased inward investment, with the increased employment and infrastructure development it can bring, is less well understood.

This presents governments with a difficult task in communicating the benefits of a low corporate tax strategy, especially if it is combined with higher indirect taxes. It may well be in the long term interests of a country to follow this path, but voters may need persuading of the benefits of paying today for a better economy tomorrow.

In recognition of this EU governments have focused instead on modernizing their VAT system to better reflect current business environment. For example, the review of the VAT rules for the finance and insurance sectors is intended to create clearer legislation which is easier to administer and comply with. From this it flows that VAT revenues from these sectors will be more stable and tax leakage will be minimized.

Work is also under way to reform the basic structure of the tax in certain areas, such as those for determining which EU jurisdiction is entitled to the VAT being collected at present. Much of the legislative debate has been focused on how to alter the system to better reflect taxation where consumption actually occurs, principally for services that can be supplied at a distance (e.g., e-commerce, telecommunications, etc.). The outcome of any new legislation in this area, which could come into effect as early as 2010, will see a shift of VAT revenue from one country to another, principally from low-rate countries to high rate countries.

And no mention of EU VAT modernization issues would be complete without a reference to the need to tackle the carousel/missing trader fraud issue which is costing EU governments very large sums in lost revenue. This is driving urgent legislative change across the EU.

For companies, this worldwide refocusing onto indirect taxation has immediate consequences. One of the advantages for governments of indirect taxes over corporate profits tax is that they supply a steady flow of funds throughout the year, rather than lump sums at widely spaced intervals. To deliver this benefit, companies, in their capacity as tax collectors, have to have accounting systems that can provide accurate, real time information on transactions and the associated tax liability.

Keeping systems up to date with tax authorities' information requirements is a major cost and resource issue for the business sector. As indirect taxes become more important to governments, so regulators are intensifying their scrutiny of companies' tax systems to satisfy themselves that tax revenues are not at risk. We have already seen this process at work in the emphasis that governments are putting on transfer pricing regulations and documentation. It will probably be a focus of tax authority activity for the foreseeable future, and it is important that corporates recognize the implications of this shift, and seek to ensure that their systems and processes are robust.

We will continue to monitor and report on the changing relationship between corporate and indirect tax rates in our future surveys. But for now, the focus remains on headline corporate tax rates.

Our survey this year shows that corporate tax rates worldwide continue to fall, but there are signs that the rate of decline is slowing, or has at least paused. Globally, average rates have moved down from 27.2 percent last year to 26.8 percent today. This is significantly less than the major year-on-year reductions that we saw in the late 1990's and early 2000's.

Of the 92 countries which participated in the corporate tax rate survey this year, 18 lowered their rate and two increased. The fact that the overall global decrease was so slight suggests that most of these cuts were relatively minor adjustments. The major exception was Turkey, which reported a 10 percent cut to 20 percent.

Several significant reductions were in the EU, where 7 of the 27 states reported a cut, the largest being Bulgaria which cut rates by 5 percent to stand at 10 percent. This took the EU average rate to just over 24 percent, 1.6 percent lower than last year. By comparison the OECD's average rate has fallen by less than one percent to 27.8 percent. In the Asia Pacific region, following India's rate decrease in 2006, Malaysia has reduced its corporate income tax rate by one percent whereas Sri Lanka has increased its rate by 2.5 percent. This leaves the region's average rate broadly unchanged at just over 30 percent, although this is likely to change next year when the full impact of China's planned tax reductions is felt.

Despite a material rate reduction in Aruba of seven percent and smaller decreases in Columbia and the Dominican Republic, the average rate for Latin America has only fallen by 0.5 percent to 28 percent.

It would be interesting to conclude that corporate tax rates have reached their natural low point, and that countries are now turning to more sophisticated methods of attracting and keeping inward investment. That may be true in some parts of the world, but it is clear that corporate tax rates in Europe are still being driven down, even as indirect taxes remain high. There should be some significant further reductions in the pipeline, from the U.K., Germany, Spain, Singapore and China to name but five, that will be reflected in next year's report. It looks as if international tax competition has some way to go yet.

Loughlin Hickey
Global Managing Partner, Tax
KPMG in the United Kingdom

Corporate Tax Rates 1993 - 2007

OECD	European Union	Asia - Pacific	Latin America	Country	1 Jan 93 (%)	1 Jan 94 (%)	1 Jan 95 (%)	1 Jan 96 (%)	1 Jan 97 (%)
				Albania					
			■	Argentina					33
			■	Aruba					
■		■		Australia	33	33	36	36	36
■	■			Austria	39	34	34	34	34
				Bahrain					
		■		Bangladesh					40
			■	Barbados					
■	■			Belgium	40.17	40.17	40.17	40.17	40.17
				Belize					35
			■	Bolivia					25
				Bosnia and Herzegovina					
				Botswana					
			■	Brazil					25
	■			Bulgaria					
■				Canada	44.3	44.3	44.6	44.6	44.6
			■	Cayman Islands					
			■	Chile					15
		■		China					33
			■	Colombia					35
			■	Costa Rica					30
				Croatia					
	■			Cyprus					
■	■			Czech Republic			41	39	25
■	■			Denmark	34	34	34	34	34
			■	Dominican Republic					25
			■	Ecuador					32
				Egypt					
				El Salvador					25
	■			Estonia					
		■		Fiji					35
■	■			Finland	25	25	25	28	28
■	■			France	33.33	33.33	36.66	36.66	36.66
■	■			Germany	59.67	55.64	59	59	57.5
■	■			Greece	35	35	35	35	40
				Guatemala					30
			■	Honduras					40.25
		■		Hong Kong					16.5
■	■			Hungary					18
■				Iceland	33	33	33	33	33
		■		India					35
		■		Indonesia					30
■	■			Ireland	40	40	38	38	36
				Israel					
■	■			Italy	52.2	52.2	53.2	53.2	53.2
			■	Jamaica					
		■		Japan	52.4	52.4	51.6	51.6	51.6
				Kazakhstan					
■		■		Korea, Republic of					30.8
				Kuwait					

1 Jan 98 (%)	1 Jan 99 (%)	1 Jan 00 (%)	1 Jan 01 (%)	1 Jan 02 (%)	1 Jan 03 (%)	1 Jan 04 (%)	1 Jan 05 (%)	1 Jan 06 (%)	1 Jan 07 (%)
							23	20	20
33	35	35	35	35	35	35	35	35	35
							35	35	28
36	36	36	34	30	30	30	30	30	30
34	34	34	34	34	34	34	25	25	25
								0	0
40	35	35	35	35	30	30*	30	30	30
							30	25	25
40.17	40.17	40.17	40.17	40.17	33.99	33.99	33.99	33.99	33.99
35					25	25			
25	25	25	25	25	25	25	25	25	25
							25	25	25
25	33	37	34	34	34	34	34	34	34
							15	15	10
44.6	44.6	44.6	42.1	38.6	36.6	36.1	36.1	36.1	36.1
								0	0
15	15	15	15	16	16.5	17	17	17	17
33	33	33	33	33	33	33	33	33	33
35	35	35	35	35	35	35	35	35	34
30					36	30	30	30	30
			20	20	20.32	20.32	20.32	20.32	20
			28	28	15.00	15.00	10	10	10
25	35	31	31	31	31	28	26	24	24
34	32	32	30	30	30	30	28	28	28
25	25	25	25	25	25	25	25	30	29
36.25	15	25	36.25	36.25	36.25	36.25	25	25	25
								20	20
25	25	25	25	25	25	25			
							24	23	22
35	35	35	34	32	32	31	31	31	31
28	28	29	29	29	29	29	26	26	26
41.66	40	36.66	35.33	34.33	34.33	34.33	33.83	33.33	33.33
56.6	52.3	51.6	38.36	38.36	39.58	38.29	38.31	38.34	38.36
40	40	40	37.5	35	35	35	32	29	25
25	27.5	25	31	31	31	31			
40.25	25	25	25	25	25	25	30	30	30
16.5	16	16	16	16	16	17.5	17.5	17.5	17.5
18	18	18	18	18	18	16	16	16	16
33	30	30	30	18	18	18	18	18	18
35	35	38.5	39.55	35.7	36.75	35.875	36.5925	33.66	33.99
30	30	30	30	39	30	30	30	30	30
32	28	24	20	16	12.5	12.5	12.5	12.5	12.5
	36	36	36	36	36	36	34	31	29
41.25	41.25	41.25	40.25	40.25	38.25	37.25	37.25	37.25	37.25
							33.33	33.33	33.33
51.6	48	42	42	42	42	42	40.69	40.69	40.69
							30	30	30
30.8	30.8	30.8	30.8	29.7	29.7	29.7	27.5	27.5	27.4
									55

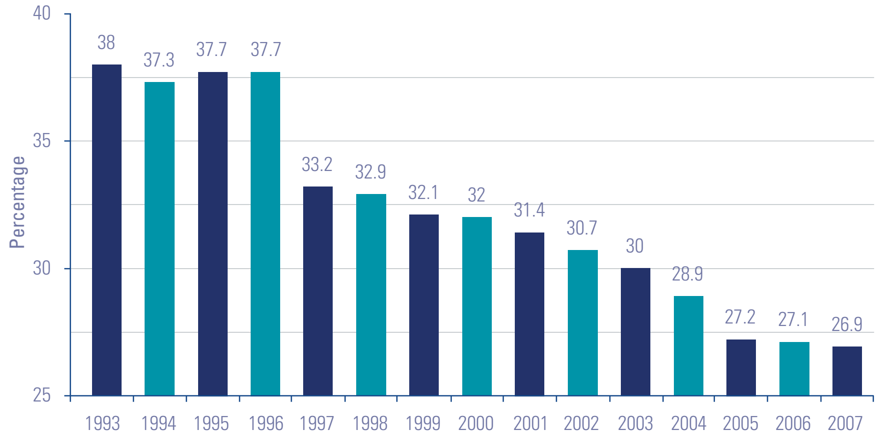
OECD	European Union	Asia - Pacific	Latin America	Country	1 Jan 93 (%)	1 Jan 94 (%)	1 Jan 95 (%)	1 Jan 96 (%)	1 Jan 97 (%)
	■			Latvia					
	■			Lithuania					
■	■			Luxembourg	39.39	39.39	40.29	40.29	30.34
				Macau					
		■		Malaysia					30
	■			Malta					
				Mauritius					
■			■	Mexico			34	34	
				Montenegro					
				Mozambique					
■	■			Netherlands	35	35	35	35	35
			■	Netherlands Antilles					
■		■		New Zealand	33	33	33	33	33
■				Norway	28	28	28	28	28
				Oman					
		■		Pakistan					30
			■	Panama					37
		■		Papua New Guinea					25
				Paraguay					30
			■	Peru					30
		■		Philippines					35
■	■			Poland					38
■	■			Portugal	39.6	39.6	39.6	39.6	39.6
				Qatar					
	■			Romania					
				Russia					
				Saudi Arabia					
				Serbia					
		■		Singapore					26
■	■			Slovak Republic					
	■			Slovenia					
				South Africa					
■	■			Spain	35	35	35	35	35
		■		Sri Lanka					35
■	■			Sweden	30	28	28	28	28
■				Switzerland	28.5	28.5	28.5	28.5	28.5
		■		Taiwan					
		■		Thailand					30
				Tunisia					
■				Turkey	49.22	42.8	44	44	44
				Ukraine					
				United Arab Emirates					
■	■			United Kingdom	33	33	33	33	31
■				United States	40	40	40	40	40
			■	Uruguay					
			■	Venezuela					
		■		Vietnam					35
				Zambia					
				Average Corporate tax rate	38.0	37.3	37.7	37.7	33.2

1 Jan 98 (%)	1 Jan 99 (%)	1 Jan 00 (%)	1 Jan 01 (%)	1 Jan 02 (%)	1 Jan 03 (%)	1 Jan 04 (%)	1 Jan 05 (%)	1 Jan 06 (%)	1 Jan 07 (%)
							15	15	15
							15	15	15
37.45	37.45	37.45	37.45	30.38	30.38	30.38	30.38	29.63	29.63
							12	12	12
28	28	28	28	28	28	28	28	28	27
							35	35	35
							25	25	22.5
	35	35	35	35	34	33	30	29	28
							32	32	32
35	35	35	35	34.5	34.5	34.5	31.5	29.6	25.5
							34.5	34.5	34.5
33	33	33	33	33	33	33	33	33	33
28	28	28	28	28	28	28	28	28	28
							12	12	12
30	35	43	34.65	35	35	35	35	35	35
37	37	37	37	37	30	30	30	30	30
25	25	25	25	25	30	30	30	30	30
30	30	30	30	30	30	30			10
30	30	30	30	30	27	30	30	30	30
34	33	32	32	32	32	32	32	35	35
36	34	30	28	28	27	19	19	19	19
37.4	37.4	37.4	35.2	33	33	27.5	27.5	27.5	25
									35
			25	25	25	25	16	16	16
			43	24	24	24	24	24	24
								20	20
26	26	26	25.5	24.5	22	22	20	20	20
			29	25	25	19	19	19	19
							25	25	23
			37.8	37.8	37.8	37.8	37.8	36.9	36.9
35	35	35	35	35	35	35	35	35	32.5
35	35	35	35	42	35	35	32.5	32.5	35
28	28	28	28	28	28	28	28	28	28
27.5	25.1	25.1	24.7	24.5	24.1	24.1	21.3	21.3	21.3
	25	25	25	25	25	25	25	25	25
30	30	30	30	30	30	30	30	30	30
					33	33	35	35	30
44	33	33	33	33	30	25	30	30	20
			30	30	30	30	25	25	25
					40	40	55	55	55
31	31	30	30	30	30	30	30	30	30
40	40	40	40	40	34	34	40	40	40
	30	30			32	28	30	30	30
	34	34	34	34	34	34	34	34	34
35	35	32.5	32	32	32	28	28	28	28
							35	35	35

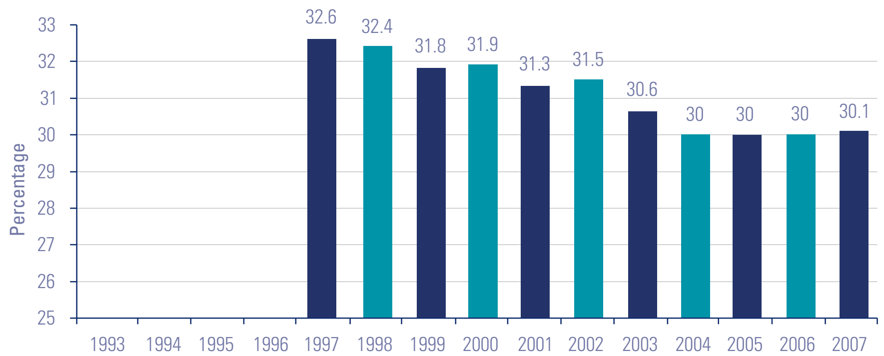
32.9	32.1	32.0	31.4	30.7	30.0	28.9	28.2	27.2	26.8

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

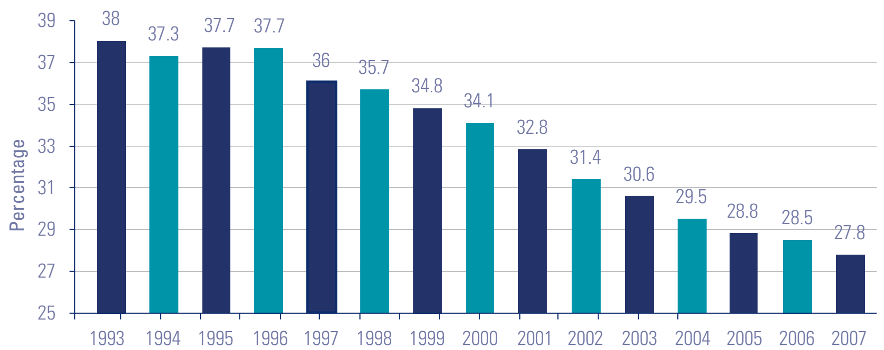
Corporate Tax Rates
All Countries 1993 - 2007



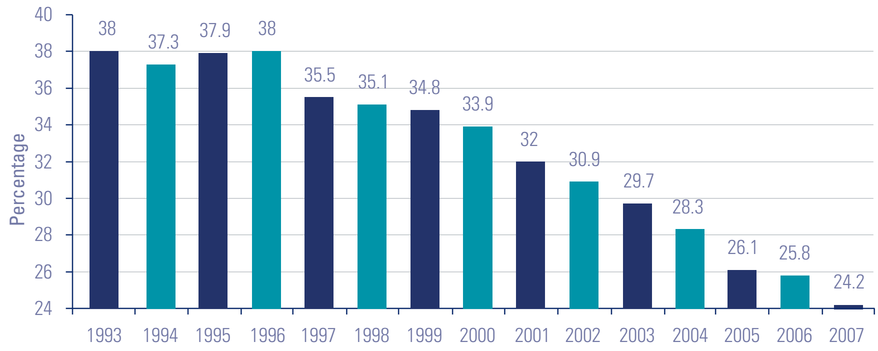
Corporate Tax Rates
ASPAC 1997 - 2007



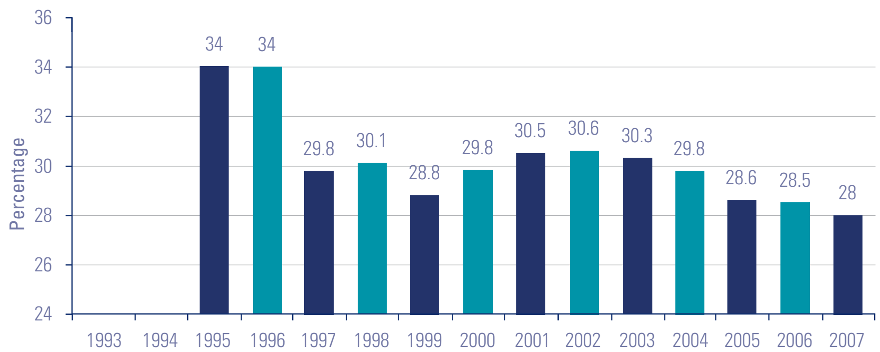
Corporate Tax Rates
OECD 1993 - 2007



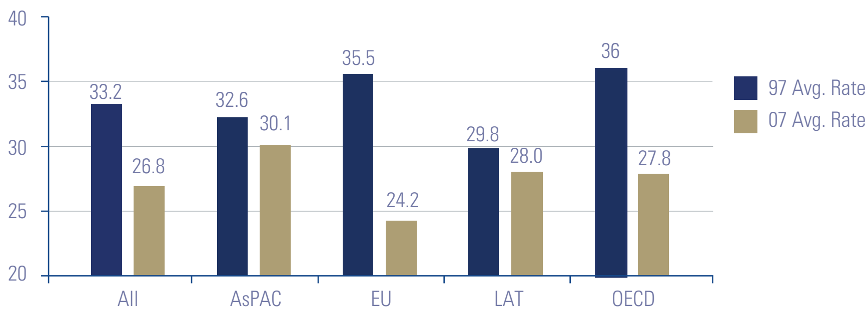
Corporate Tax Rates
EU 1993 - 2007



Corporate Tax Rates
Latin America 1995 - 2007



Corporate Tax Rates
comparison by global region 1997 - 2007



Source for all graph information, KPMG member firms.

Corporate Tax Rates Footnotes

1 **Albania** (2007 rate = 20%)
The corporate tax rate is applied on taxable profit earned during a fiscal year (January 1 to December 31). Taxable profit is defined as gross income generated minus related expenses. There are certain non-deductible expenses outlined in the law such as expenses unsupported with a regular invoice, interest accrued up to a certain limit, interest paid on loans and prepayments which exceed four times the amount of owned equity during the period, representation expenses over a certain limit, cost of fringe benefits, voluntary pension contributions etc. Reserves are not allowable deductions for tax purposes, except when constituted by banks and insurance companies. No reduced rates apply. Tourism activities benefit from certain tax incentives. Dividend distributed is subject to tax withheld at the source at 10 percent. Part of the profit to be capitalized, carried forward or used for creation of reserves, is not considered dividend. Shareholders are required to decide the amount of profit to be distributed, if any, within six months after year-end. Losses may be carried forward for three years; however, this does not apply when there are changes of more than 25 percent in ownership titles.

2 **Argentina** (2007 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 - except for automobiles- as well as the investment in 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 ten years).

3 **Aruba** (2007 rate = 28%)
A rate of 28 percent has been announced by the government and will be introduced retroactively. In general, Aruban companies are subject to a corporate income tax rate of 28 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 28 percent corporate income tax while the shareholder is entitled to an imputation payment of 26 percent from the Aruban government upon distribution of a dividend by the IPC.

4 **Australia** (2007 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 an asset that is taxable Australian property ("TARP"). Broadly TARP will include Australian real property and an indirect interest in Australian real property. The Australian tax system provides taxation relief against international double taxation by granting foreign tax credits in some circumstances and in others, by exempting the foreign income from Australian tax. The corporate income tax rate applies to income earned during the period from 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 (i.e. year ended December 31, 2006 will generally relate to the year of income in which the accounting period ends – i.e. June 30, 2007). For the year July 1, 2001 to June 30, 2002 and later income years, the corporate tax rate has been 30 percent.

5 **Austria** (2007 rate = 25%)
The corporate income tax rate is 25 percent; there are no trade income or net worth taxes. Austrian corporations may benefit from the liberal international participation exemption and the group taxation (including cross border loss utilization and good-will depreciation for the acquisition of qualifying Austrian subsidiaries).

6 **Bahrain** (2007 rate = 0%)
Bahrain is a tax free country, and there is no corporate or personal income tax in Bahrain. Accordingly, all profits, dividends or any other income is tax-free. The only exception is for companies engaged in petroleum extraction and refining. There are no exchange control regulations and accordingly there is no restriction on repatriation of capital, profits, royalties or wages and free movement if foreign exchange is permitted.

7 **Bangladesh** (2007 rate = 30%)

The income of publicly traded companies, i.e., listed companies, other than banks and financial institutions, is taxed at 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 that is 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 companies, leasing companies and other financial institutions are taxed at 45 percent. A rebate in the amount of 50 percent 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 will 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 in spite of having sufficient distributable profits, the company 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.

The aforesaid rates will remain valid for companies whose accounting year ends on any dates before 30 June 2007.

8 **Barbados** (2007 rate = 0 to 2.5%/25%)

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 one to 2.5 percent for other qualifying international business activities.

9 **Belgium** (2007 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) i.e. a deduction equal to a percentage - based on the return of a 10-year government bond - of the companies' "adjusted" equity capital (including retained earnings). The deduction is 3.442 percent for fiscal year 2007 and 3.781 percent for fiscal year 2008 (income years starting January 1, 2007 or later). For small and medium sized companies the rate of the notional interest deduction is 0.5 percent higher: 3.942 percent for fiscal year 2007 and 4.281 percent for fiscal year 2008. The notional interest deduction is expected to reduce the effective tax rate to an average of 25 to 27 percent (or even lower depending on the equity capital of the company).

10 **Bolivia** (2007 rate = 25%)

The corporate tax levied by the central government is the 25 percent annual profit tax (IUE). Payments of this tax are considered an on-account payment 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.

11 **Botswana** (2007 rate = 25%)

The corporate income tax rate is 25 percent. It is split into a 15 percent Company Tax and a 10 percent Additional Company Tax (ACT). The ACT can be used to offset any withholding tax payable on dividend distributions. ACT unused after a period of five years will be lost. This arrangement can limit the overall corporate 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 and not for ACT. Mining entities (with the exception of Diamond mining) are taxed at a rate between 15 and 45 percent (excluding ACT). Diamond mining taxation is negotiated with the Government.

12 **Brazil** (2007 rate = 34%)

The 34 percent rate includes Corporate Income Tax (25 percent) and Social Contribution on Net Profits (nine percent). The 25 percent corporate income tax comprises a 15 percent basic rate and 10 percent surtax on income over BRL 240,000/year. The taxable income is determined in accordance with the Brazilian Corporate Income Tax Code. The nine percent Social Contribution on corporate taxable income is imposed in accordance with Brazilian Social Contribution on Net Profits tax 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.

A tax deferral of Social Contribution on Net Profits tax may be available for companies that purchase certain industrial assets (there are a list of assets for this tax benefit) between October 1, 2004 and December 31, 2008. Each year, for four years, the qualifying taxpayer can deduct the amount equivalent to 25 percent of the depreciation of these assets of the Social Contribution on Net Profits tax due. At the end of the four-year period the Social Contribution tax deferred must be paid. (It's a tax deferral - not a tax deduction).

Additional conditions must be met to be eligible for this tax incentive.

13 **Bulgaria** (2007 rate = 10%)

As of 1 January 2007 Bulgaria is an EU Member State. The 2007 Corporate Income Tax rate is 10 percent. The tax year is calendar year and the annual tax return must be filed by March 31 of the following year. The annual financial statements of the tax liable persons are submitted together with the annual tax return. Annual corporate income tax liabilities must be settled within the same term (after deduction of the advance corporate income tax instalments paid in the course of the tax year). Other taxes on corporate income: Tax on expenses at the rate of 10 percent is levied on the following expenses:

(i) representation/entertainment expenses related to the business activity of the tax liable person;

(ii) expenses for in-kind social benefits (fringe benefits provided in the form of food, transportation of staff to working place, holiday and recreational facilities, contributions for voluntary insurance under certain conditions, vouchers for food);

(iii) expenses related to maintenance and repair of automobiles used for management activities of the tax liable person.

Expenses for donation and sponsorships are no longer subject to tax on expenses. The expenses for donations where the beneficiaries are not included in the list of eligible persons (as listed in the Corporate Income Tax Act) are not deductible expenses for tax purposes. Withholding tax at the rate of seven percent is levied on dividends and liquidation quota distributed by local legal entities to foreign residents with no permanent establishment in Bulgaria, as well as to municipal authorities and to local legal persons that are not traders. Relief from the withholding tax on dividends in Bulgaria is provided for by the Corporate Income Tax Act if the dividends are distributed to parent companies resident in EU Member States. The relief is granted through transposition of the provisions of the Parent-Subsidiary Directive (Directive 90/435/EC) in the Bulgarian Corporate Income Tax Act. Minimum shareholding and minimum shareholding period is required in order to apply the above relief from withholding tax. Withholding tax at the rate of 10 percent is levied also on income accrued by Bulgarian taxable entities to foreign residents for specific types of income, provided that the income is not derived through a permanent establishment of the foreign person in Bulgaria. The income subject to withholding tax includes: interest payments, including interest under financial lease contracts; rental payments; royalties; fees for technical services, franchising and factoring fees; management fees; capital gains from sale of financial assets; incomes generated from the use of immovable property; capital gains from transactions with real estate.

A reduction or relief from the withholding tax in Bulgaria could be sought under the provisions of an effective Double Tax Treaty between Bulgaria and the country where the beneficial owner of the income is resident (if any). The application of the Double Tax Treaties signed by Bulgaria is not automatic and approval from the Bulgarian revenue authorities should be sought under a separate procedure.

14 **Canada** (2007 rate = 36.1%)

Includes federal tax of 22.1 percent (including surtax) for 2007 plus provincial tax. Depending on the province, the total effective general corporate income tax rate for 2007 ranges from 32.0 percent to 38.1 percent (27.1 percent to 38.1 percent for manufacturers).

Lower rates are available to Canadian-controlled private corporations (CCPC) on their first $400,000 to $500,000 of taxable active business income.

A representative tax rate for 2007 for a CCPC on its first $400,000 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 14.1 percent to 18.6 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.

15 **Cayman Islands** (2007 rate = 0%)

There are no notes for 2007.

16 **Chile** (2007 rate = 17%)

Chilean Corporate Tax (named "First Category Tax") applies to all types of taxable income realized by a taxpayer, individual or legal entity, regardless of its nationality, residence or domicile, with the exception of income from dependent employees and independent personal services. Tax base is the accrued net taxable income after allowable deductions and expenses. First Category Tax paid can be credited against final taxes, which are Global Complementary Tax in case of Chilean resident individuals and Withholding Tax in case of non residents.

17 **China** (2007 rate = 33%)

The 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, qualified FIE may be entitled to a tax exemption or reduction during a tax holiday period. The local tax of three percent may be waived or reduced by the local government. A tax reform is being carried out in China. The new unified Corporate Income Tax Law is effective from 1 January 2008. For further information please go to http://www.KPMG.com.cn.

18 **Colombia** (2007 rate = 34%)

A tax reform was approved and the new corporate income tax rate is 34 percent (35 percent in previous years). The surcharge of the 10 percent which applied was eliminated. The Colombian companies and the foreign branches that qualify as "industrial users" established in Colombian Duty Free Zones are taxed at a 15 percent rate for corporate income tax from 2007 onwards. The seven percent income tax rate that applied to dividends and participations transferred abroad was eliminated and replaced by a zero percent rate. In addition, there is a regional tax called Industry and Commerce Tax levied on industrial, commercial and service activities carried out within a municipality. The rate depends on the municipality and ranges between 4.14 and 13.8 per thousand. 100 percent of the Industry and Commerce Tax and of the property tax is deductible for corporate tax purposes. Also 25 percent of the financial transactions tax effectively paid is deductible for corporate tax purposes.

19 **Costa Rica** (2007 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 31,043,000.00 are subject to a 10 percent corporate income tax rate; corporate entities with gross income of more than CRC 31,043,000.00 but less than CRC 62,444,000.00 are subject to a 20 percent corporate income tax rate. Corporate entities with gross income exceeding CRC 62,444,000.00 are subject to the ordinary 30 percent rate.

20 **Croatia** (2007 rate = 20%)

The accounting profit adjusted in accordance with the provisions of the Corporate Profit Tax Law is taxed at a 20 percent rate. A company can reduce its tax base if it qualifies under the Investment Promotion Law, Special State Care Areas Law, Hill and Mountain Areas Law, Free Trade Zones Law, Law on Renewal and Development of the City of Vukovar. Tourist tax, forestry tax and monumental protection fee are taxes based on turnover.

21 **Cyprus** (2007 rate = 10%)

The corporate income tax for corporate bodies is a flat 10 percent applicable on active income whereas dividends are exempt from income tax. Income deriving from the sale of securities is also exempt. In ascertaining a company's taxable income all outgoings and expenses wholly and exclusively incurred in the production of the income are deducted.

22 **Czech Republic** (2007 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 ten years (however, further limits – e.g. acceptable state aid intensity – are implemented).

23 **Denmark** (2007 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 5.8 percent (2007) of the outstanding tax liability is payable. There are no local taxes on corporate income. January 2007 the Danish Government proposed that the tax rate on corporate income is lowered to 22 percent. At the same time the right to deduct interest payments will be reduced, depreciations for certain assets will be tightened and the current CFC rules extended. In addition a special patent taxation regime may be introduced (tax rate of 12 percent).

24 **Dominican Republic** (2007 rate = 29%)

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

25 **Ecuador** (2007 rate = 25%/15%)
The 15 percent applies when the taxpayer decides to reinvest its profits. This reinvestment means an increase in the company's capital.

26 **Egypt** (2007 rate = 20%)
The corporate income tax for corporate bodies is a flat 20 percent rate applicable on active income whereas dividends are exempt from income tax. Income deriving from the sale of securities is also exempt. In ascertaining a company's taxable income all outgoings and expenses wholly and exclusively incurred in the production of the income are deducted.

27 **Estonia** (2007 rate = 0% and 22% 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 reinvested; a 22 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). The current tax system will be changed from 2009 in compliance with the EU parent-subsidiary directive

28 **Fiji** (2007 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.

29 **Finland** (2007 rate = 26%)
In 2004, the Finnish government proposed to lower the corporation tax rate to 26 percent. 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.

30 **France** (2007 rate = 33 1/3%)
For fiscal years ending after January 1st 2007, the corporate tax rate is 33.33 percent. A 3.3 percent social contribution of the corporate income tax is applicable to the portion of corporate income tax exceeding EUR 763,000 resulting in an overall tax rate of 34.43 percent (for this portion). Companies (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 which are owned by companies meeting the same conditions) are subject to a corporate tax rate of 15 percent. This applies to the part of the taxable profit up to EUR 38,120. These companies are exempted from the 3.3 percent contribution.

31 **Germany** (2007 rate = 38.36%)
This rate applies to both retained profits and distributed profits. The rate includes corporate tax at 25 percent (plus a 5.5 percent solidarity surcharge hereon) and trade tax on income. The trade tax varies from 13.04 percent to 20 percent, assuming a municipality multiplier (Hebesatz) ranging from 300 percent to 500 percent (The average multiplier for 2005 was 389 percent. Since 2004 legislation has imposed a minimum trade tax multiplier of 200 percent to eliminate trade tax havens). 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 of 16.28 percent assuming the average multiplier of 389 percent is applied. With effect from January 1, 2008 it is intended to reduce the overall tax burden on the income of a corporation to approximately 30 percent (planned business tax reform).

32 **Greece** (2007 rate = 20%/25%)
The 25 percent rate applies to listed A.E. companies (corporations) and to E.P.E. entities (limited liability companies). The same rate applies to 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 20 percent for fiscal year 2007. A three percent surcharge applies to gross rental income, but the surcharge may not exceed the primary corporate tax.

33 **Honduras** (2007 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 it exceeds the corporate income tax.

34 **Hong Kong** (2007 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 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 concessional rate of 8.75 percent (half of the 17.5 percent standard rate).

35 **Hungary** (2007 rate = 16%)
The statutory corporate income tax rate is 16 percent in 2006. From January 1, 2006 the tax rate can be reduced to 10 percent on the first HUF five million (approx. EUR 20,000) positive tax base if the company meets certain requirements. The part of the tax base that exceeds HUF five million remains subject to 16 percent. From January 1, 2006 a local business tax of up to 2 percent of the total trading turnover is deductible reducing the taxable income twice (i.e., two times the local business tax is deductible).

Effective from 1 September 2006, an additional tax of four percent (so called 'solidarity tax') was introduced for all companies. The basis of solidarity tax is pretax profit modified by certain items. In addition, effective from January 1, 2007, if the company's taxable base is less than two percent of its total revenues less costs of goods sold and the income of a foreign PE (and certain other modifying items), the tax base should be that higher amount ('minimum tax').

36 **Iceland** (2007 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, trusts 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 that is levied on resident companies. Interest derived by non-resident companies from Icelandic sources is not subject to income tax.

37 **India** (2007 rate = 33.99%/30.90%)

For the fiscal year ending March 31, 2008 the basic corporate tax rate for domestic companies is 30 percent, and the surcharge is 10 percent if income is in excess of INR 1 crore. The effective tax rate for domestic companies having income of more than INR 1 crore is 33.99 percent (30 percent, plus surcharge of 10 percent of the tax, plus education cess of three percent on tax and surcharge). The effective tax rate for domestic companies having income less than INR 1 crore is 30.90 percent (30 percent plus education cess of three percent on tax). A minimum alternate tax (MAT) is levied at 10 percent of the adjusted profits of companies where the tax payable is less than 10 percent of their book profits. In the case of companies having income of more than INR 1crore, the effective rate would be 11.33/10.558 percent (10 percent plus a surcharge of 10/2.5 percent of the tax, plus an education cess of three percent on the tax plus surcharge). The effective tax rate for foreign companies having income of more than INR 1 crore is 42.23 percent (40 percent, plus surcharge of 2.5 percent of the tax, plus education cess of three percent on tax and surcharge). The effective tax rate for foreign companies having income less than INR 1 crore is 41.2 percent (40 percent plus education cess of three percent on tax).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, plus surcharge and education cess. Dividend Distribution Tax (DDT) is levied at 16.995 percent (15 percent, plus surcharge of 10 percent of the tax, plus education cess of three percent of tax and surcharge) on dividends distributed by a domestic company. DDT is levied at 28.33 percent (25 percent, plus surcharge of 10 percent of the tax, plus education cess of three percent on tax and surcharge) on the income distributed by money market mutual fund or liquid fund to unit holders. DDT is levied at 14.163 percent (12.5 percent, plus surcharge of 10 percent of the tax, plus education cess of 3 percent on tax and surcharge) on the income distributed by a non-equity oriented mutual fund other than money market mutual fund or liquid fund to individuals or HUF unit holders. DDT is levied at 22.66 percent (20 percent, plus surcharge of 10 percent of the tax, plus education cess of three percent on tax and surcharge) on the income distributed by a non-equity oriented mutual fund other than money market mutual fund or liquid fund to unit holders other than individual and HUF. 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 33.99 percent for domestic companies having income in excess of INR 1 crore and 31.673 percent for foreign companies having income in excess of INR 1 crore and 30.90 percent for companies having income less than INR 1 crore (30 percent plus education cess of three percent on tax). The rates of tax specified above are as per the Finance Bill, 2007 (subject to enactment) applicable for the fiscal year ending 31 March 2008.

38 **Indonesia** (2007 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).

39 **Ireland** (2007 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 activities, 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. This special rate will expire in 2010 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 tax at 40 percent.

40 **Israel** (2007 rate = 29%)
The corporate rate will be gradually reduced: 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 15.5 percent rate; both of which are deductible for income tax purposes. The effective tax rate of financial institutions is 38.53 percent (for the year 2007). 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 percent 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.

41 **Italy** (2007 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). The taxable basis differs as certain expenses are allowed for IRES purposes but not for IRAP, for instance, interest and almost all labor costs. Italian regions have the right to increase the basic 4.25 percent IRAP rate.

42 **Jamaica** (2007 rate = $33^{1}/_{3}$%)
Companies must declare their income and make prepayments of the corporate tax in four instalments (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).

43 **Japan** (2007 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 eight million yen (JPY) for small and medium-sized companies with paid-in capital of JPY 100 million or less). Local tax rates vary depending on local government and 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 (business tax itself being tax deductible). Size-based business tax is also levied on a company with paid-in capital of more than JPY 100 million, in addition to the income-based business tax. So the overall tax rate for such companies can be higher than 40.69 percent. The size-based business tax rates in Tokyo are 0.504 percent on the "added value component" tax base (total of labor costs, net interest payments, net rent payments and income/loss of the current year) and 0.21 percent on the "capital component" tax base (total paid-in capital and capital surplus). For small and medium-sized companies with paid-in capital of JPY 100 million or less, the effective tax rate in Tokyo is 42.05 percent with no size-based business tax imposed.

44 **Kazakhstan** (2007 rate = 30%)
The regular corporate income tax rate is 30 percent. Branches of foreign companies operating in Kazakhstan are subject to an additional branch profits tax of 15 percent of their after-tax income resulting in an overall tax rate of 40.5 percent for branch offices. Income tax treaties may reduce the branch profits tax.

45 **Korea, Republic of**
(2007 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).

46 **Kuwait** (2007 rate = 5%/55%)
2007 corporate tax rates range from 5 percent to 55 percent on the net profit earned from carrying on a trade or business in Kuwait. Corporate income tax is only levied from foreign companies operating in Kuwait. Income tax in Kuwait is imposed and administered under Amiri Decree No. 3 of 1955, as amended. The term "carrying on trade or business in Kuwait" has been defined under Article 2 (i) of the Decree to include:

- the purchasing and selling in Kuwait of property, goods, or rights thereto and maintaining a permanent office in Kuwait where the contracts of purchase and sale are executed;
- the operating of any other manufacturing, industrial, or commercial enterprise in Kuwait;
- the letting of any property located in Kuwait; and
- the rendering of services in Kuwait; but do not include the mere purchasing in Kuwait of property, goods, or rights thereto.

The term "carrying on trade or business in Kuwait" is interpreted in the widest possible sense by the Department of Income Taxes (DIT) in Kuwait to impose tax on all Kuwait based sources of revenue.

In the case of foreign corporate bodies owning shares in companies registered in Kuwait or Gulf Co-operation Council (GCC) countries "Owned by Kuwaitis or GCC citizens" and carrying on business or trade in Kuwait, income tax is imposed on the foreign taxable profit of the Kuwaiti or GCC companies attributable to the foreign corporate bodies.

Kuwait adopts the territorial concept in its tax legislation; the distinction is made between 'trading with' the state i.e., the supply of goods to the Kuwaiti port; and 'trading in', which involves activity in the state. In broad terms, the latter activity is taxable whilst the former is not.

In cases of contracts involving performance inside and outside Kuwait, the entire revenue from the contracts, including the revenue relating to the performance outside Kuwait, is required to be reported for tax in Kuwait. Foreign entities have the option to carry out business in Kuwait in one of the following ways:

1. under the sponsorship of a registered Kuwaiti merchant (Kuwaiti agent);
2. through a joint venture;
3. through a With Limited Company (W.L.L.) or Kuwaiti Shareholding Company (K.S.C.); and
4. under Foreign Direct Investment Law No. 8 of 2001.

47 **Latvia** (2007 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.

48 **Lithuania** (2007 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 the income does not exceed LTL 500,000 (app. EUR 144,800) (certain exemptions apply). If an entity's average number of employees 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. Currently, the following special profit tax relieves are in force:

(1) Free economic zone companies in which capital investment reaches 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 reduced profit tax rate applies. At least 75 percent of the company's' income must be from the production, treatment, processing, etc. of goods in a free economic zone.

(2) Manufacturing companies which derive more than half of their income from their own production activities and which employ people with disabilities. The profit tax is reduced by 20 percent or more.

(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 as follows: four percent on a taxable profit of a Lithuanian taxable unit in 2006; three percent on a taxable profit of a Lithuanian taxable unit in 2007. By its nature, 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).

49 **Luxembourg** (2007 rate = 29.63%)

A corporate tax rate of 22.88 includes a four percent employment fund contribution. The municipal business tax rate varies, e.g., the rate for the city of Luxembourg is 6.75 percent.

50 **Macau** (2007 rate = 12%)

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

51 **Malaysia** (2007 rate = 27%)

A resident company with paid up share capital of up to RM 2,500,000 (at the start of a basis period) is taxed at 20 percent on its first RM 500,000 of chargeable income, with the balance taxed at 27 percent.Leasing income (from moveable property) derived by a permanent establishment in Malaysia is taxed at 27 percent whereas a non-resident corporation with no Malaysian permanent establishment is taxed at 10 percent. A special five percent tax rate applies to corporations which conduct an inward reinsurance business or an offshore insurance business. Income generated by a life fund of an insurance company is taxed at eight percent. A non-resident corporation with shipping or air transport income is taxed at 27 percent either on five percent of its gross shipping or air transport income derived in Malaysia or on that part of the Malaysian gross income computed as a proportion of world-wide profits to world-wide gross income. Income of resident corporations derived from the transportation of passengers or cargo on Malaysian ships is exempt. Finally, companies engaged in petroleum operations are subject to tax at 38 percent.

52 **Malta** (2007 rate = 35%)

Companies are subject to corporate income tax at a rate of 35 percent. This tax is levied on taxable profits, whether distributed or otherwise and on capital gains realized upon the transfer of certain 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 resident in Malta. On the distribution of taxed profits the shareholders may opt to claim a partial/full refund of the tax paid by the distributing company. As a general rule the tax refund amounts to six sevenths of the tax paid by the company.

The refund will be reduced to two thirds when the shareholder claims double taxation relief and five sevenths in those cases where the distributed profits are derived from passive interest or royalties which have been subject to foreign tax at less than 5 percent. Dividends and capital gains derived from participation holdings will qualify for a full refund. The tax paid on profits derived, directly or indirectly, from immovable property situated in Malta will not be available for refund. Resident shareholders will be taxed on the dividend and tax refund at 35 percent while non-residents will not be taxed.

53 **Mauritius** (2007 rate = 22.5/15%)
The corporate income tax rate is 22.5 percent. A 15 percent corporate income tax rate applies to companies qualifying for a tax incentive.

54 **Mexico** (2007 rate = 28%)
There are no notes for 2007.

55 **Mozambique** (2007 rate = 32%)
Income of agricultural companies or organizations is taxed at 10 percent until December 31, 2010. Agricultural, cultural and artisan cooperatives benefit from a 50 percent reduction in the tax rate, resulting in an effective tax rate of broadly 16 percent. Generally, certain investment projects approved by the Government of Mozambique prior to January 1, 2003 are subject to various lower tax rates, applicable until the end of the project. Those investment projects approved as of January 1, 2003 are, in general, subject to the standard tax rate of 32 percent but receive a tax credit of five percent of the investment made in the first five years of a project.

56 **Netherlands**
(2007 rate = 20%/23.5%/25.5%)
Taxable profits of up to EUR 25,000 are taxed at 20 percent, profits between EUR 25,000 and EUR 60,000 are taxed at 23.5 percent and profits over EUR 60,000 are taxed at 25.5 percent.

57 **Netherlands Antilles**
(2007 rate = 34.5%)
The corporate income tax rate of 34.5 percent includes a 15 percent surcharge although, for certain activities, tax holidays are available which generally lower the tax rate to two percent. Companies operating in economic zones are also taxed at a rate of two percent. The income of qualified limited liability companies engaged in certain financial activities is exempt.

58 **New Zealand** (2007 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, provided certain requirements are met, allows for a rebate of 12.5 percent of the qualifying New Zealand production expenditure on film and television production companies. A film or television company is eligible for the grant if it is a resident company or a foreign corporation operating with a permanent establishment in New Zealand.

59 **Norway** (2007 rate = 28%)
The corporate income tax rate for 2007 is 28 percent.

60 **Oman** (2007 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 zero percent to 30 percent depending upon amount of taxable profits. For this category, the rate once determined will be applied to the taxable profits in total.

61 **Pakistan** (2007 rate = 35%)
The corporate income tax rate of 35 percent applies to all banking, public and private limited companies. However, subject to certain conditions being met, small companies are taxed at 20 percent.

62 **Panama** (2007 rate = 30%)
Tax due is the higher of 30 percent of net taxable income and 1.4 percent of Panamanian source gross income (alternative minimum tax). Corporations with losses may request a three year holiday from the application of alternative minimum tax. If there is no distribution, or if the distributed amount is less than 40 percent of net earnings, a 'complementary tax' of four percent is due as an advanced dividend tax.

63 **Paraguay** (2007 rate = 10%)
Corporate Income tax general rate is 10 percent since 2006; if the company distributes utilities to shareholders domiciled in Paraguay, a five percent rate will be applied to distributed utilities, resulting an effective rate (ER) of 14.50 percent; to utilities distributed to shareholders not domiciled in Paraguay a 15 percent rate will be applied, resulting an ER of 27.33 percent. There are differential effective rates for the following taxed acts carried out by non domiciled entities: Insurance premium that covers risks of people/goods in the country: three percent; People transportation fares/Freight of goods: three percent; Communications (phone, internet and similar): three percent; News Agencies: 4.5 percent; Distributors of movies, cinema/television and similar: 12 percent; Transfer of the use of containers: 4.5 percent. For finance received from external banks, current ER is six percent. Corporate income earned by individuals/foreign entities for their activities carried out in Paraguay (independently of their branches, agencies or permanent establishment) is currently at an ER of 15 percent.

64 **Papua New Guinea** (2007 rate = 30%)

For mining and gas companies the tax rate is 30 percent. Existing Petroleum projects are subject to a 50 percent tax rate whilst new petroleum projects are taxed at either 45 percent or 30 percent depending on when the license is issued. Non-resident mining companies pay tax at 40 percent. In case of other businesses, a branch of a foreign company is taxed at 48 percent. Non-residents are taxed on a deemed profit basis (shipping: five 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).

65 **Peru** (2007 rate = 30%)

Domestic corporations are subject to a corporate income tax rate of 30 percent. Branches of foreign companies are also subject to tax at 30 percent on 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 tax rate. A tax on net assets has been introduced with effect from 2005. A marginal rate system is applied to determine this tax (the rate varies from zero percent to 0.5 percent depending on the amount of taxable net assets). The tax is based on the net assets of domiciled corporate taxpayers after deducting certain balance sheet items specified in the legislation. This tax can be applied as a tax credit against corporate income tax.

66 **Philippines** (2007 rate = 35%)

After a four year start-up phase, domestic corporations and resident foreign corporations are subject to a two percent minimum corporate income tax (MCIT). This tax is calculated based on gross income and is due if the MCIT is greater than the corporation's corporate income tax liability, determined by applying the 35 percent tax rate to net income. A 10 percent 'improperly accumulated earnings' tax (IAET), subject to certain exceptions, is also imposed on undistributed earnings of closely-held corporations. These are corporations in which at least 50 percent of the value of outstanding capital stock or at least 50 percent of the total combined voting power of all classes of stock entitled to vote is owned directly or indirectly by 20 individuals or less. Philippine branches of foreign corporations are exempt from the 10 percent IAET. Foreign corporations with Philippine branches pay 15 percent branch profits remittance tax. Philippine economic zone authority (PEZA) registered corporations are exempt unless the applicable tax treaty provides otherwise (i.e., 10 percent). There are also several other special tax regimes for certain types of activity.

67 **Poland** (2007 rate = 19%)

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

68 **Portugal** (2007 rate = 25%)

This rate is to be increased by a Municipal Surcharge of up to 1.5 percent, which is to be levied over the company's taxable profit. The 25 percent rate is levied on the taxable income, net of tax losses carry forward.

69 **Qatar** (2007 rate = 35%)

The corporate income tax rate of 35 per cent is the maximum rate in a progressive rate structure and is applicable to income in excess of QR 5,000,000. However, tax is only imposed on foreign companies operating in Qatar or Qatari companies with foreign shareholders. Companies which are wholly owned by Qatari shareholders or GCC nationals are exempt. Certain companies established pursuant to an 'Emiree Decree' may be subject to a specific flat tax rate rather than the standard progressive rates.

70 **Romania** (2007 rate = 16%)

Profits earned from operations in Free Trade Zones are subject to the standard corporate income tax rate of 16 percent. Until December 31, 2006 a special tax exemption applied to certain companies carrying out manufacturing activities; 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 subject to tax at 16 percent, although the tax payable cannot be lower than five percent of the taxpayer's qualifying gross revenue earnings. A special relief is available for small companies.

71 **Russia** (2007 rate = 24%)

The 2007 rate is 24 percent. This can be reduced by the regions for specific activities to 20 percent.

72 **Saudi Arabia** (2007 rate = 20%)

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

73 **Singapore** (2007 rate = 20%)

In the 2007 Budget announced on February 15, 2007, the corporate tax rate is proposed to be reduced to 18 percent with effect from the Year of Assessment (YA) 2008 i.e. on income derived in 2007. 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. In the 2007 Budget, it was proposed that the partial tax exemption threshold be increased to S$300,000 of chargeable income as follows: 75 percent up to the first S$10,000 of chargeable income and 50 percent on the next S$290,000. 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. In the 2007 Budget, it was proposed that the YA 2009 expiry date be removed and qualifying companies can claim the full tax exemption for each of the first three consecutive YAs. A concessionary tax rate of 10 percent or lower applies to entities engaged in certain prescribed activities or granted tax incentives. Such activities or incentives include the financial sector incentive scheme, offshore leasing, offshore insurance and reinsurance, captive insurance, offshore global trading, finance and treasury centers, international headquarters, wealth management, maritime financing incentive and shipping enterprises. For certain activities, approval needs to be sought before tax exemption or the concessionary tax rate can apply.

74 **Slovak Republic** (2007 rate = 19%)
The corporate income tax rate is 19 percent.

75 **Slovenia** (2007 rate = 23%)
According to the Corporate Income Tax Act the corporate income tax rate will be 22 percent in 2008 and 21 percent in 2009. However, taxable persons performing non-profit activities are exempt.

76 **South Africa** (2007 rate = 36.89%)
The corporate income tax rate is currently 29 percent. However, South Africa imposes an additional 'secondary tax' on companies at 12.5 percent on any net dividends declared by them. Therefore, if a company distributes 100 percent of its after-tax earnings as a dividend, an effective tax rate of 36.89 percent will apply. This does not apply to gold mining companies (which are taxed on a formula basis) or to South African branches of foreign entities which are taxed at a rate of 34 percent.

77 **Spain** (2007 rate = 32.5%)
Companies with tax years starting from January 1, 2007 are subject to tax at 32.5 percent, which reduces to 30 percent from 1 January 2008. Where a company's turnover (alone or combined with other group companies) in the immediately preceding tax period is less than EUR 6,000,000, it is taxed on the first EUR 120,202 of taxable income at 25 percent with the balance of its taxable income being subject to tax at 30 percent. The following entities will be taxed at 25 percent:

(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 co-operatives. Tax protected co-operatives will be taxed at 20 percent, except in respect of results not related to their corporate purpose, which will be taxed at the general rate.

78 **Sri Lanka** (2007 rate = 35%)
For the assessment year 2006/07 (April 1, 2006 to March 31, 2007) the general corporate tax rate is 35 percent. However, small companies (i.e. with taxable income not exceeding SLRS 5,000,000) are taxed at 15 percent and companies in the first five years of listing are taxed at 33 1/3 percent. Certain identified sectors also enjoy concessionary rates, such as exports (other than traditional products), tourism, agriculture and construction at 15 percent and venture capital funds/specialized housing banks at 20 percent. Dividends or the repatriation of profits by a non-resident company are taxed at 10 percent. An economic service charge (ESC) is one percent of turnover (although lower rates are applicable where companies benefit from tax holidays or concessionary rates) but can be set-off against any corporate tax liability, subject to restrictions. The social responsibility levy is currently one percent on income tax.

79 **Sweden** (2007 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.

80 **Switzerland** (2007 rate = 21.3%)
All 26 cantons apply different tax rates and in all except three cantons the statutory tax rate needs to be multiplied with the communal and/or cantonal coefficients that may vary from tax period to tax period. The rate shown above comprises federal, cantonal and municipal taxes. As corporate income taxes are deductible when computing the tax basis, the effective corporate income tax rates are lower than the statutory rates published in the tax codes. In 2007, the canton of Obwalden has the lowest corporate income tax rate (13.12 percent) whilst the canton of Basel-Land and the city of Liestal have the highest (25.7 percent). During 2006 and at the beginning of 2007, the canton of Graubünden had the highest applicable corporate income tax rate, but an ongoing partial revision

of the cantonal tax law will most likely lead to a tax rate below that of Basel-Land (subject to referendum). The average rate for the ten cantons with the lowest rates is 16.93 percent (Obwalden, Schwyz, Zug, Uri, Appenzell-I.Rh., Nidwalden, Thurgau, Appenzell-A.Rh., Luzern and Glarus). The tax rate for corporations in the canton of Zurich and the city of Zurich is 21.3 percent. Some cantonal income tax rates, such as in Zug and Graubünden, are progressive and usually the tax basis is determined based on the ratio of income to the company's equity. Others, like Zurich, have a flat statutory rate.

81 **Taiwan** (2007 rate = 25%)

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

82 **Thailand** (2007 rate = 30%)

The standard corporate income tax rate is 30 percent but this may be reduced to 20 per cent or 25 percent for certain Thai companies which have listed on the Stock Exchange of Thailand prior to December 31, 2005. A tax rate of 10 percent applies to the remittance of dividends or branch profits abroad. For small and medium sized enterprises (SME) with less than Baht 5,000,000 paid up capital, the corporate income tax rate is reduced to 15 percent on the first Baht 1,000,000 of net taxable profits and 25 percent on the next Baht 2,000,000 but not exceeding Baht 3,000,000. Corporate income tax exemptions (tax holidays and corporate tax rate reductions) are granted to companies promoted by the Board of Investment (BOI), asset management companies (AMC's) 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 percent on qualifying ROH service income, royalties and interest and zero percent on dividends received from associated enterprises.

A corporate tax rate of three percent applies to gross income of companies engaged in international transportation (subject to any further mitigation under relevant double taxation treaties).

A corporate income tax rate of 10 percent applies to the net taxable profits of commercial banks which are engaged in obtaining deposits or loans from foreign countries and re-lending such loans or amounts to other, or the same, foreign countries. A corporate income tax rate of 10 percent also applies to the net taxable profits of commercial banks derived from obtaining deposits or loans from foreign countries and re-lending such loans or amounts in Thailand (which were undertaken before April 18, 2006) and to gross income (reduced to two percent for certain types of income) of foundations and associations engaged in business activities. A petroleum (oil, gas and derivatives) tax rate of 50 percent applies to the net taxable profits of companies with concessions to explore for, and produce, petroleum.

83 **Tunisia** (2007 rate = 30%)

The corporate income tax rate applies to resident companies and to permanent establishments of non resident companies. But there is a minimum tax payable of 0.1 percent levied on the turnover including taxes with a minimum of TDN 250. Total export companies are taxable at the rate of 10 percent from January 1, 2008.

For regional development projects, there is exoneration for 10 years and 50 percent tax base reduction for additional 10 years. The benefits from education, teaching, vocational training projects and environment protection projects are deductible from tax base but the tax to be paid can't be lower than a limit fixed by the Taxation Code.

84 **Turkey** (2007 rate = 20%)

As of June, 21 2006, the corporate tax rate has been reduced from 30 percent to 20 percent, effective from January, 1 2006.

85 **Ukraine** (2007 rate = 25%)

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

86 **United Arab Emirates** (2007 rate = 20%/55%)

The UAE consists of seven Emirates - Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Qaiwain, Fujairah and Ras Al Khaimah. Whilst there are no corporate income taxes at a federal level some Emirates have issued their own income tax decrees. Although in theory these Emirate level decrees impose tax on the income of all corporate entities, in practice tax is currently only enforced on foreign oil companies and branches of foreign banks. However, there is no guarantee that this will continue to be the case. Foreign oil companies are companies transacting in oil or oil rights, including crude oil or other hydrocarbon materials produced in the Emirates. Although the tax rate applicable to oil companies is generally 55 percent of operating profits, the amount of tax actually paid by such companies is based on a rate agreed in individual concessions between the company and the respective Emirate. This rate can range between 55 percent and 85 percent. Branches of foreign banks are taxed at 20 percent of their taxable income in the Emirates of Abu Dhabi, Dubai, Sharjah and Fujairah. 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 also levied in some of the Emirates. In Dubai, a

10 percent municipal tax is charged on hotel revenues (usually passed on to the consumer as a service charge), a 10 percent municipality fee is levied on the rent from commercial property and a five percent fee is levied on the rent of residential property. Abu Dhabi does not levy a municipality tax on rented premises, but landlords are required to pay certain annual license fees (which they may pass on to tenants).

87 **United Kingdom** (2007 rate = 30%)
A 19 percent rate applies to companies with taxable profits of up to GBP 300,000 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.
Prior to April 1, 2006, a nil rate applied to companies with taxable profits of up to GBP 10,000, with marginal relief up to GBP 50,000, while companies with profits between GBP 50,000 and GBP 300,000 paid tax at a 19 percent rate, with marginal relief up to GBP 1,500,000. All these limits are reduced for accounting periods of less than 12 months and if there are associated companies.

Bermuda, Gibraltar, Guernsey, Isle of Man and Jersey: These countries are Dependent Territories or Crown Dependencies of the United Kingdom, which has formally confirmed that the OECD Convention applies to these countries. These countries are not included when calculating the averages and ranges indicated above.

88 **United States** (2007 rate = 40%)
The marginal federal corporate income tax rate on the highest income bracket of corporations (for 2007, US $18,333,333 and above) is 35 percent. State and local governments may also impose income taxes 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.
The United States also has a parallel 'alternative minimum tax' (AMT) system, which is generally characterized by a lower tax rate (20 percent) but a broader tax base.

89 **Uruguay** (2007 rate = 30%/25%)
The Government has approved a tax reform law, that reduces the corporate income tax rate from 30 percent to 25 percent for fiscal years beginning on or after July 1, 2007.

90 **Venezuela** (2007 rate = 34%)
Corporations engaged in the exploitation of hydrocarbons and related activities are generally subject to corporate income tax at 50 percent (also applicable to income from any other sources). This rate does not include municipal business taxes which range from 0.3 percent to 9.4 percent of gross income, depending on the district and the business activity.

91 **Vietnam** (2007 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 percent if licensed before January 1, 2004) and Vietnamese enterprises. However, incentive 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.

92 **Zambia** (2007 rate = 35%)
The general corporate income tax rate is 35 percent. Income earned by banking institutions is subject to 45 percent tax on profits in excess of K 250,000,000. Profits from farming, chemical fertilizer production and export of non-traditional items are taxed at a rate of 15 percent. Companies with a turnover of K 200,000,000 or less pay a turnover tax of three percent.

Indirect Tax Rates 2007

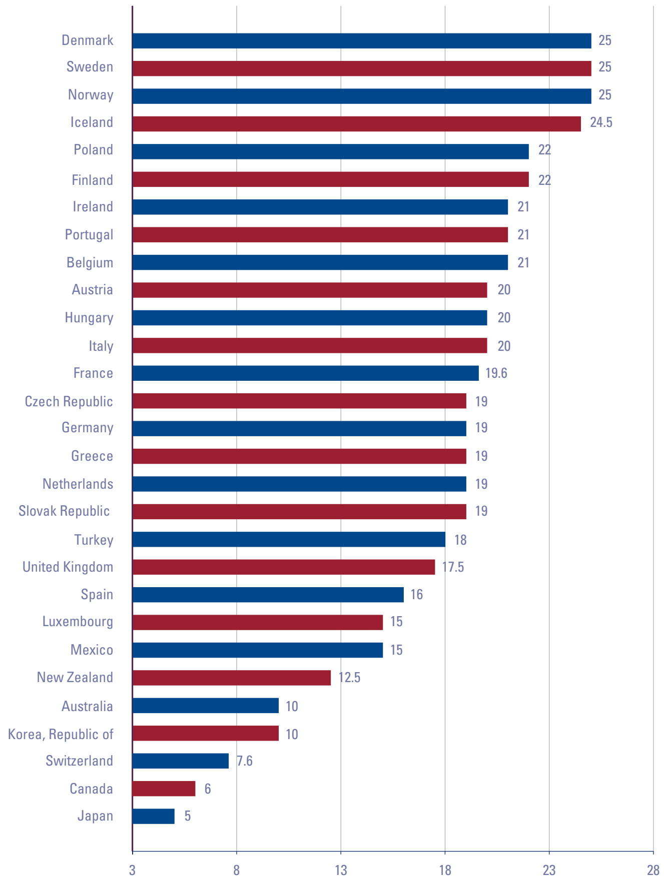
OECD	European Union	Asia - Pacific	Latin America	Country	1 Jan 07 (%)
				Albania	20
			■	Argentina	21
			■	Aruba	3
■		■		Australia	10
■	■			Austria	20
		■		Bangladesh	15
			■	Barbados	15
■	■			Belgium	21
			■	Bolivia	13
				Bosnia and Herzegovina	17
				Botswana	10
			■	Brazil	see footnote
	■			Bulgaria	20
■				Canada	6
			■	Cayman Islands	n/a
			■	Chile	19
		■		China	17
			■	Colombia	16
			■	Costa Rica	13
				Croatia	22
	■			Cyprus	15
■	■			Czech Republic	19
■	■			Denmark	25
			■	Dominican Republic	16
			■	Ecuador	12
				Egypt	10
	■			Estonia	18
		■		Fiji	12.5
■	■			Finland	22
■	■			France	19.6
■	■			Germany	19
■	■			Greece	19
				Guatemala	12
			■	Honduras	12
		■		Hong Kong	n/a
■	■			Hungary	20
■				Iceland	24.5
		■		India	12.5
		■		Indonesia	10
■	■			Ireland	21
				Israel	15.5
■	■			Italy	20
			■	Jamaica	16.5
■		■		Japan	5
				Kazakhstan	14
■		■		Korea, Republic of	10
	■			Latvia	18
	■			Lithuania	18

OECD	European Union	Asia - Pacific	Latin America	Country	1 Jan 07 (%)
■	■			Luxembourg	15
		■		Malaysia	10
				Mauritius	15
				Montenegro	17
■	■			Netherlands	19
■		■		New Zealand	12.5
				Oman	n/a
			■	Panama	5
				Paraguay	10
		■		Philippines	12
■	■			Portugal	21
				Russia	18
				Serbia	18
■	■			Slovakia	19
				South Africa	14
		■		Sri Lanka	15
■				Switzerland	7.6
		■		Thailand	7
■				Turkey	18
				United Arab Emirates	n/a
■				United States	See footnote
			■	Venezuela	11
				Zambia	17.5

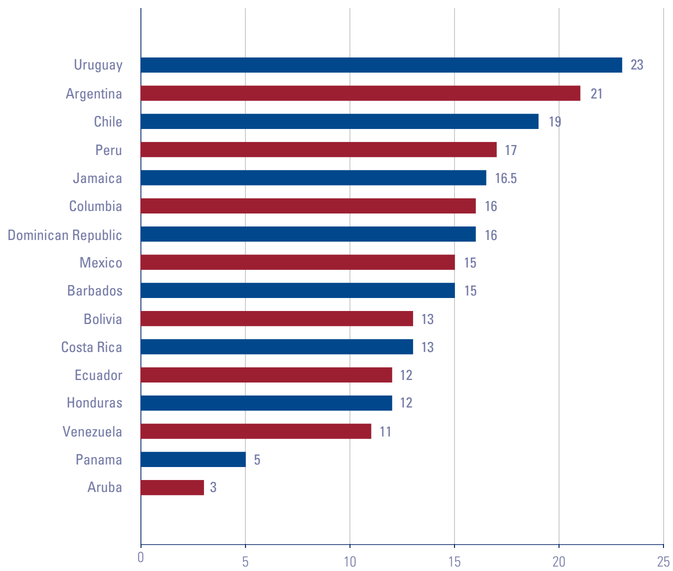
Average rate 15.63

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

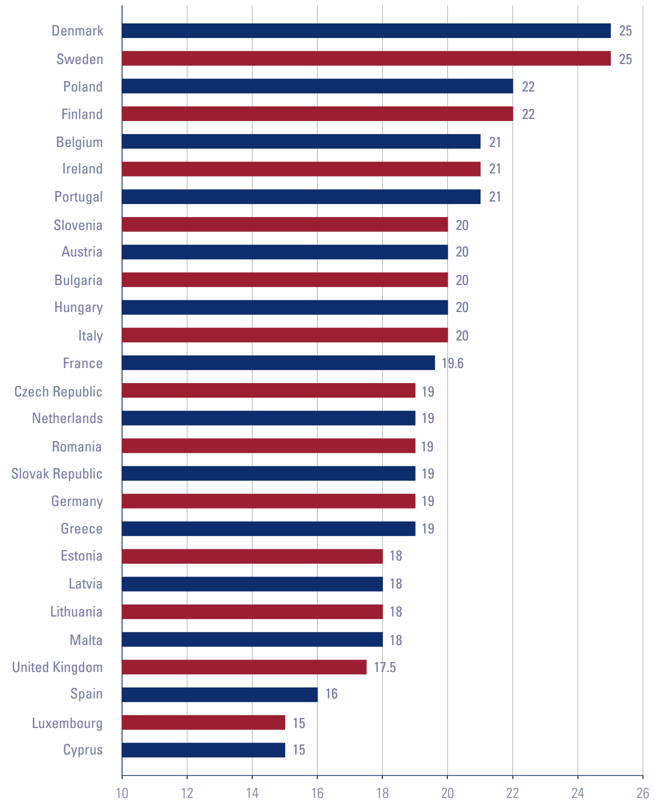
VAT/GST
OECD 2007



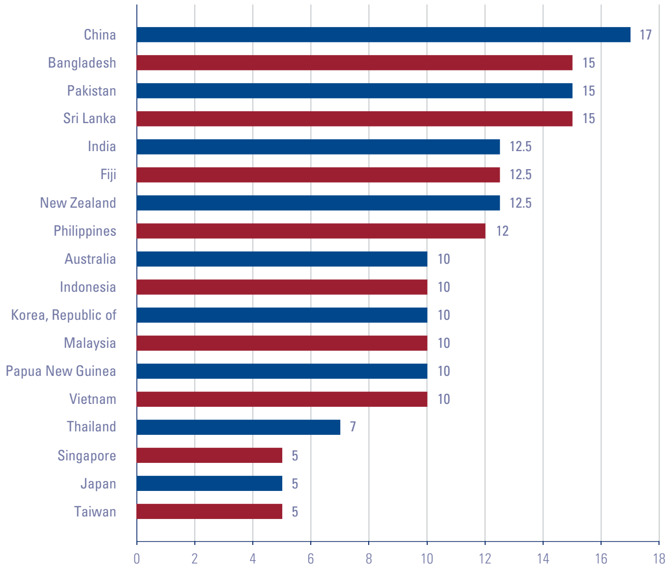
VAT/GST
Latin America/Caribbean 2007



VAT/GST
European Union 2007



VAT/GST
Asia/Pacific 2007



Source for all graph information, KPMG member firms.

Indirect Tax Rates
Footnotes

(i) Albania

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

(ii) Argentina

The standard rate of value added tax (Impuesto al Valor Agregado; IVA) is 21 percent. There is a reduced rate of 10.5 percent for certain goods and services, including: imports of certain capital goods included in the tariffs list of the Common Nomenclature of Mercosur (Southern Cone Common Market), production and distribution of programs, films, and records of any type to be transmitted by radio or television, specified supplies of books, newspapers and periodicals, medical services in specific cases, conferences and trade show services, concerts and musical show tickets, common bread, bakery products and wheat flour. There is an increased rate of 27 percent for certain services: telecommunication services (except radio broadcasting and services rendered by the national telecommunications agency or news agencies), the supply of gas or electrical power (except public illumination), certain supplies of water and sewage services. Exports of goods and services are zero-rated. Exempt supplies include: imports and sales of books, retail distribution of newspapers and periodicals, shares, bonds and securities, certain constructions for the transportation of passengers or freight and ships used commercially or for defence, specified medical services, transportation of persons and freight, including international transportation, certain financial services such as cash deposits with financial institutions and loans made between financial institutions, services of directors, comptrollers and members of boards of stock corporations, letting of certain immovable, imports of critical products for diagnosis and health treatment (temporary exemption).

(iii) Aruba

The standard rate of turnover tax (Belasting op Bedrijfsomzetten; BBO) is three percent. The reduced rate of one percent applies to goods sold and exported directly by seller.

(iv) Australia

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

(v) Austria

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

(vi) Bangladesh

The standard rate of value added tax (VAT) is 15 percent. There are reduced rates of nine percent, five percent, 4.5 percent, 2.25 percent, 1.5 percent and zero percent which apply to, for example, certain categories of advertisement (nine percent), the supply of electricity (five percent), engineering services, security services, services rendered by construction contractors, audit and accounting firms, consultants, printing press, architects, interior and graphic designers (4.5 percent), supplies of goods and services through participation in a tender/quotation and for pathological laboratory work, supplies of goods and services by hospitals and petroleum carriers, maintenance and cleaning of building floors/premises (2.25 percent), trading services, land development and construction of apartments, retail sales of furniture (1.5 percent) and exports of goods and services (zero percent). Supplies of certain goods and services are exempt from VAT, for example, certain food items (such as meat, fish, potatoes, vegetable and fruits), jute and jute goods and social welfare, cultural, training, rehabilitation services and agricultural development.

(vii) **Barbados**

The standard rate of value added tax (VAT) is 15 percent. There is a 7.5 percent rate which applies to the provision of hotel and condo-hotel accommodation. Zero-rated supplies include: exports of goods and services, basic food items, printed matter, certain agricultural machinery and international transport of passengers and freight. Exempt supplies include certain financial services, health and educational services and specific supplies of real property.

(ix) **Bolivia**

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

(x) **Bosnia and Herzegovina**

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

(xi) **Botswana**

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

(xii) **Brazil**

There are two types of value-added tax in Brazil, a State Sales Tax (Imposto sobre Circulação de Mercadorias e Serviços; ICMS) and a Federal Excise Tax (Imposto sobre Produtos Industrializados; IPI). There are other taxes on supplies of goods or services: a Services Tax (Imposto Sobre Serviços; ISS), a Social Contribution for Social Security Financing (Contribuição para o Financiamento da Seguridade Social; COFINS) and an Employees' Profit Participation Program (Programa de Integração Social; PIS).

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

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

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

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

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

(xiii) **Bulgaria**

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

(xiv) **Canada**

The standard rate of Goods and Services Tax (GST) is six percent (decreased from seven percent as of July 1, 2006). There is a reduced rate of zero percent which applies to, for example, exports of certain goods, prescription drugs and basic groceries. Supplies of certain goods and services are exempt from GST, for example some supplies of residential property, financial and insurance services, educational and health care services.

In addition, all provinces, except for Alberta, impose a Value Added Tax or a Retail Sales Tax on the sales of taxable goods and services.

The provinces of New Brunswick, Nova Scotia and Newfoundland apply a harmonized value added tax, the Harmonized Sales Tax (HST), at a rate of 14 percent (decreased from 15 percent as of July 1, 2006. The HST applies to the same base of goods and services as the GST.

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

The provinces of British Columbia, Saskatchewan, Manitoba, Ontario and Prince Edward Island levy Retail Sales Taxes in their respective jurisdictions. The rates vary from five percent to 10 percent.

(xv) **Cayman Islands**

There is no VAT or GST in Cayman Islands.

(xvi) **Chile**

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

(xvii) **China**

There are three types of indirect taxes in China, Value Added Tax, Consumption Tax and Business Tax.

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

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

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

(xviii) Colombia

The standard rate of value added tax (Impuesto Sobre las Ventas) is 16 percent. The reduced rate of 1.6 percent applies to certain cleaning and security services and certain services rendered by the cooperatives and pre-cooperatives of associated work. The reduced rate of 10 percent applies to, among others: coffee, cereals, chocolate; prepaid health services; accommodation services in hotels; and commercial real property leasing, among others. The reduced rate of 11 percent applies to beer. The increased rate of 20 percent applies to mobile telephone services and certain motor vehicles and ships. The increased rates 25 and 35 percent apply to certain motor vehicles and motorcycles. Zero-rated supplies (referred to as exempt supplies in Colombia) include: exports of goods, certain foods items, school notebooks, fuel alcohol destined to be mixed with gasoline, books and magazines of a scientific and cultural nature, services that are rendered within the country and used exclusively abroad by enterprises or individuals without business or activities in Colombia (exports of services). Exempt supplies (referred to as non-taxable or excluded supplies in Colombia) include basic food items; certain export services, passenger public transportation to some municipalities within Colombia, cargo transportation, certain financial transactions, public services of energy, water, sewer, public cleaning, garbage collection and domestic gas; building rental service used for residential purposes, certain agricultural services, certain life, health and education insurances and items, medicines, chemical and mineral fertilizers, crude oil for its refining, natural gas, butanes and natural gasoline, wood, newspapers, certain arms of war, purchase of goods for human and animal consumption from specific neighboring states.

(xix) Costa Rica

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

(xx) Croatia

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

(xxi) Cyprus

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

(xxii) **Czech Republic**

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

(xxiii) **Denmark**

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

(xxiv) **Dominican Republic**

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

(xxv) **Ecuador**

The standard rate of value added tax (Impuesto al Valor Agregado; IVA) is 12 percent. Exports are zero-rated, with certain exceptions. Exempt supplies include: natural food products, milk and certain industrialized food products for human consumption, medicines and drugs of human use, seeds, bulbs, plants, live roots, fish flour, animal feed, fertilizers, insecticides, pesticides, herbicides and veterinarian products, tractors with tires up to 200 HP and other agricultural implements, paper, newspaper, magazines and books, fluvial, maritime and terrestrial transportation of passengers and cargo as well as international air transportation of cargo and air cargo transportation from and to the province of Galapagos, financial and investment services for entities legally authorized to provide them, the transfer of securities, health and education services, public services of electricity, water, sewer and trash collection, leasing of residential property; book printing and aerial fumigation services, and services provided by artisans and by professionals with qualification of superior instruction up to an amount of USD400 for each case.

(xxvi) **Egypt**

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

(xxvii) **Estonia**

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

(xxviii) **Fiji**

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

(xxix) Finland

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

(xxx) France

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

(xxxi) Germany

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

(xxxii) Greece

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

(xxxiii) Guatemala

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

(xxxiv) Honduras

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

(xxxv) Hong Kong

There is no VAT or GST in Hong Kong.

(xxxvi) Hungary

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

(xxxvii) Iceland

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

(xxxviii) India

India has a federal structure with both Federal and State specific indirect tax. Intra-State sale of goods is subject to a Value Added Tax (VAT) and sale of goods occasioning movement across States is subject to a Central Sales Tax (CST). In addition there is another indirect tax on supplies of services, Service Tax.

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

CST on sale to a taxable person across States is charged at the rate of four percent or alternatively at the VAT rate applicable in the originating State or 10 percent, whichever is higher. The CST rate of four percent is proposed to be reduced to three percent, with effect from 1 April 2007.

The standard rate of Service Tax is 12.24 percent, which will be increased to 12.36 percent after enactment of the Finance Act, 2007. Currently 96 taxable categories of services are subject to Service tax, for example advertising services, financial and insurance services, business auxiliary and support services, telecommunication, cargo handling, intellectual property services, maintenance and repair services, certain IT services, management consultation, scientific and technical consultancy.

(xxxix) Indonesia

There are two types of indirect tax in Indonesia, a Value Added Tax (Pajak Pertambahan Nilai; PPN) and a Sales Tax on Luxury Goods (Pajak Penjualan Atas Barang Mewah; PPnBM).

The standard rate of PPN is 10 percent. The rates of PPnBM range from 10 percent to 75 percent. The reduced PPN and PPnBM rates of zero percent apply to exports of goods. Certain supplies of goods and services are exempt from PPN, for example, unprocessed minerals, agricultural products, basic necessities, banking and insurance services, finance leasing, hotel and restaurant activities, employment and manpower services, various social services, the supply of electric power and potable water.

(xl) Ireland

The standard rate of value added tax (VAT) is 21 percent. There are reduced rates of 13.5 percent, 4.8 percent and zero percent which apply to, for example, immovable goods, building services, hotel and holiday accommodation, hotel and restaurant meals, newspapers and repair and maintenance services (13.5 percent), supply of livestock, live greyhounds and hire of horses (4.8 percent) exports of goods, most food and drink suitable for human consumption, oral medicines and medical equipment and appliances (zero percent). There is also a special farmers' flat rate addition of 5.2 percent (increased from 4.8 percent in 2006) which applies to certain sales by unregistered farmers. Supplies of certain goods and services are exempt from VAT, for example certain lettings of immovable property, financial and insurance services, passenger transport, education and health and welfare services.

(xli) Israel

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

(xlii) **Italy**

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

(xliii) **Jamaica**

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

(xliv) **Japan**

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

(xlv) **Kazakhstan**

The standard rate of value added tax (Nalog na Dobavlennuyu Stoimost; NDC) is 14 percent (decreased from 15 percent as from 1 January, 2007). There is a reduced rate of zero percent which applies to exports of goods, international transport services and sale of goods within special economic zones. Certain supplies of goods and services are exempt from VAT, for example sale and lease of land, right to use land (with some exceptions), lease and sale of buildings, certain financial services, insurance services, geological surveying and exploration activities, sale of services related to governmentally approved infrastructure projects, sale of an enterprise or a part thereof, medical services and education, certain imports.

(xlvi) **Korea, Republic of**

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

(xlvii) **Latvia**

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

(xlviii) **Lithuania**

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

(xlix) Luxembourg

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

(l) Macau

There is no VAT or GST in Macau.

(li) Malaysia

There are two types of indirect taxes in Malaysia, a Sales Tax and a Services Tax. The standard rate of Sales Tax is 10 percent. There is a reduced Sales Tax rate of five percent that applies to, for example, fruits, certain foodstuff, timber and building materials, alcoholic beverages, cigarettes and tobacco products. The standard rate of Service Tax is five percent. Malaysian Sales Tax or Service Tax does not prescribe to the concept of zero rating or exemption as those typically available under VAT or GST regime.

(lii) Malta

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

(liii) Mauritius

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

(liv) Mexico

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

(lv) Montenegro

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

(lvi) Mozambique

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

(lvii) Netherlands

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

(lviii) Netherlands Antilles

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

(lix) New Zealand

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

(lx) Norway

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

(lxi) Oman

There is no VAT or GST in Oman.

(lxii) Pakistan

Indirect taxes in Pakistan include a Sales Tax and a Federal Excise Duty (FED).

The standard rate of Sales Tax is 15 percent. There is a reduced rate of zero percent which applies to, for example, all exports of goods, local supplies of raw materials and supplies of specified export sectors, import and local supplies of capital goods.

Certain supplies of goods and services are exempt from Sales Tax, for example agricultural products, unprocessed food items, animals and their meat, fisheries, diary products, construction materials, computer software, ships, navigation equipments, the sale to hospitals and educational non-profit organizations.

FED applies to the import and manufacturing of specified goods and provision of specified services at different rates. The rate of FED on specified services ranges from five percent to 15 percent.

(lxiii) Panama

The standard rate of value added tax (Impuesto sobre la Transferencia de Bienes Corporales Muebles y la Prestación de Servicios; ITBMS) is five percent. The increased rate of 10 percent applies to the import, wholesale, and retail sale of alcoholic beverages and the 15 percent increased rate applies to the import, wholesale and retail of all kinds of cigarettes and cigars. Zero rate supplies include: exports and re-exports of goods and the sales of pharmaceutical and food products when certain conditions are met (i.e. the taxable person is engaged exclusively in such activities and its total output is sold within the Panamanian territory). Exempt supplies include: other sales of food and pharmaceutical products, sales of oil, lubricants, fuel and similar products, all kinds of seeds for agricultural purposes, tools for agricultural purposes, newspapers, magazines, educative magnetic media, notebooks, pencils and other items for school purposes, medicines and pharmaceutical products, foreign currency, stocks and public/private securities, services related to the health of human beings, certain rentals or of real property, services related to education, loans from the state, transportation, electric energy, fixed telecommunication, media (social communication) except for the grant of advertising space, insurance and reinsurance services, exportation services, internet access service for houses and education entities, cultural public shows, stock-exchange activities, certain activities of directors, managers and administrators, payments (including interest paid and received) arising from financial services, professional services that are performed to persons domiciled abroad who do not generate taxable income in Panama and financial leasing contracts.

(lxiv) **Papua New Guinea**

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

(lxv) **Paraguay**

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

(lxvi) **Peru**

The standard rate of value added tax (Impuesto General a las Ventas; IGV) is 17 percent. The Municipal Promotion Tax (Impuesto de Promoción Municipal; IPM) of two percent is also added to the value of goods or services used to determine the IGV, which results in a 19 percent sales tax overall. Zero-rated supplies include: the export of goods, the export of services detailed in the Sole Arranged Text of Sales Tax and the supplies in the Amazon region. Exempt supplies include: fresh fish, vegetables, seeds, fruit, educational and cultural books, credit services granted by banks, financial and credit institutions, public transportation services within the country, cargo transportation, cultural performances and life insurance.

(lxvii) **Philippines**

The standard rate of value added tax (VAT) is 12 percent (increased from 10 percent as of 1 February 2006). There is a reduced rate of zero percent which applies to, for example, the sale of goods and services to international shipping or air transport companies, international transport of passengers and cargo by air or sea vessels, exports of other services in certain conditions and the sale of power or fuel generated through renewable sources of energy. There is a final withholding VAT on government purchases; a rate of five percent applicable to payments made to contractors by the government or any of its political subdivisions, instrumentalities or agencies, including government-owned and controlled corporations. Supplies of certain goods and services are exempt from VAT, for example authorized education, certain financial transactions, the sale, import and lease of passenger or cargo vessels and aircraft for domestic or international transport operations, sales of residential lots at the maximum value of P1,500,000, sales of houses and other residential dwellings at the maximum value of P2,500,000 and the lease of residential units provided that the monthly rental fee per unit does not exceed P10,000.

(lxviii) **Poland**

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

(lxix) **Portugal**

The standard rate of value added tax (Imposto Sobre o Valor Acrescentado; I.V.A.) is 21 percent for Portuguese mainland and 15 percent for Madeira and Azores islands. There are reduced rates of 12 percent (eight percent for islands), five percent (four percent islands) and zero percent which apply to, for example, restaurant services, fruit and vegetables (12 percent (eight percent for islands), water supply, books and newspapers (five percent (four percent for islands), exports, transport of goods and people between the mainland and the islands (zero percent). Supplies of certain goods and services are exempt from VAT, for example immovable property, financial and insurance services.

(lxx) **Romania**
The standard rate of value added tax (taxă pe valoarea adăugată; TVA) is 19 percent. There are reduced rates of nine percent and zero percent which apply to, for example, accommodation, books, newspapers (except for newspapers and magazines for advertising purposes), pharmaceuticals, museum fees, cultural and sporting services (9 percent), intra-Community supplies and exports of goods (zero percent). Supplies of certain goods and services are exempt from VAT, for example the rental or sale of immovable property (with some major exceptions), financial and insurance services, education and health and welfare.

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

(lxxii) **Saudi Arabia**
There is no VAT or GST in Saudi Arabia.

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

(lxxiv) **Singapore**
The standard rate of Goods and Services Tax (GST) is five percent (to be increased to seven percent as from 1 July, 2007). There is a reduced rate of zero percent which applies to exports of goods and certain international services. Supplies of most of the financial services and sale or lease of residential properties are exempt from GST.

(lxxv) **Slovakia**
The standard rate of value added tax (DaÀ z pridanej hodnoty; DPH) is 19 percent. There are reduced rates of 10 percent and zero percent which apply to, for example, medicaments and certain other medical and pharmaceutical products (10 percent), international transportation and exports of goods (zero percent). Supplies of certain goods and services are exempt from VAT, for example postal services, financial and insurance services, education and training, health and welfare, cultural services, land and real estates (in certain conditions).

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

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

(lxxviii) **Spain**
The standard rate of value added tax (Impuesto sobre el Valor Añadido; IVA) is 16 percent. There are reduced rates of seven percent, four percent and zero percent which apply to, for example, delivery of plants and animals, sport events, catering and hotel services, passenger transport (seven percent),

books and newspapers, some basic food products, medicines (four percent), exports of goods and the supply, import, repair, maintenance of ships and aircraft engaged in international navigation (zero percent). Certain supplies of goods and services are exempt from VAT, for example insurance and financial services, certain real estate transfers, education, health and welfare.

(lxxix) **Sri Lanka**

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

(lxxx) **Sweden**

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

(lxxxi) **Switzerland**

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

(lxxxii) **Taiwan**

Under the Taiwan Value-Added and Non-Value-Added Tax Law, there are two systems, one being a value added tax (VAT) system and the other being the gross business receipts tax (GBRT) system.

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

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

(lxxxiii) **Thailand**

The standard rate of value added tax (VAT) is seven percent (increased to 10 percent as from 1 October 2007). There is a reduced rate of zero percent which applies to, for example, exports of goods or services. Supplies of certain goods and services are exempt from VAT, for example domestic transportation, health care, education, leasing of immovable property, the sale of agricultural products, newspapers, magazines and textbooks, services rendered by libraries, museums and zoos.

(lxxxiv) **Tunisia**

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

(lxxxv) **Turkey**

The standard rate of value added tax (Katma De er Vergisi; KDV) is 18 percent. There are reduced rates of eight percent, 1one percent and zero percent which apply to, for example, basic food products, textile products (eight percent), agricultural products, delivery or leasing of the goods subject to Financial Leasing Law (one percent), exports of goods and services and international transportation (zero percent). Supplies of certain goods and services are exempt from VAT, for example banking and insurance transactions, services rendered in Free Trade Zones, social, cultural, educational and health services rendered by the government and other related organizations.

(lxxxvi) **Ukraine**

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

(lxxxvii) **United Arab Emirates**

There is no VAT or GST in the United Arab Emirates.

(lxxxviii) **United Kingdom**

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

(lxxxix) **United States**

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

(xc) **Uruguay**

The standard rate of value added tax (Impuesto al Valor Agregado; IVA) is 23 percent (is expected to be reduced to 22 percent as from 1 July, 2007). The reduced rate of 14 percent (expected to be reduced to 10 percent as from 1 July, 2007) applies to specific consumer goods, lodging services and certain transport services. Exports are zero rated. Exempt supplies include: certain agricultural goods and machinery, specified fuels, commissions and interests on specific financial transactions and transport services.

(xci) **Venezuela**

The standard rate of value added tax (Impuesto al Valor Agregado; IVA) is 11 percent (reduced from 14 percent as from 1 March, 2007 and will be reduced further to nine percent as from 1 July, 2007). The increased rate of 24 percent applies to luxury goods. Certain goods and services (such as red meat, animal oil or local plane tickets) have a temporary rate of 8 percent. Exports are zero-rated. Exempt supplies include: imports under ATPA (Andean Trade Preference Act) regime, certain categories of groceries, food and livestock, medicine, fertilizer, fuel, newspapers, books and magazines, education, intangible assets, loans, banks and financial institutions operations except by leasing, insurance services, payroll, operations performed in specified duty free and tourist areas, national electricity, water and natural gas.

(xcii) **Vietnam**

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

(xciii) **Zambia**

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

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