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KPMG's Corporate Tax Rates Survey — January 2004

KPMG's International Tax and Legal Center is pleased to present its annual survey of corporate tax rates. The survey (begun in 1993) currently covers 69 countries, including the 30 member countries of the Organisation for Economic Cooperation and Development (OECD), and many countries in the Asia Pacific and Latin America regions. Local KPMG tax offices from these countries have contributed to this survey.

Findings

The global trend of decreased tax rates persists

Among nations that changed their rates from 2003 to 2004, the overwhelming majority reduced their rates, continuing the trend of corporate rate reductions.

The trend is most pronounced in Europe

The rate reductions were most pronounced in Europe where Poland, the Slovakia Portugal and the Ukraine reduced their rates by 29.6%, 24%, 16.7% and 16.7%, respectively. The average corporate tax rates fell to 29.96% for OECD countries (from 30.90% in 2003) and to 31.32 for EU nations (from 31.84%).

Small Changes in the Latin America and Asia-Pacific regions

The tax rate changes in the Latin America and Asia-Pacific regions were much less pronounced than those in Europe. The largest reduction was implemented in Costa Rica, where the tax rate was reduced by 16.7% from 2003 to 2004, while Peru was implemented the largest tax rate increase (11.1%). Other notable changes were an increase in Hong Kong's rate from 16% to 17.5% and a reduction in Mexico's rate from 34% to 33%.

Corporate tax rates only part of the equation

Although the survey captures an interesting "snap shot" of global tax rates, it must be remembered that a low tax rate does not necessarily signify a low tax burden. Consequently, one must consider a particular nation's tax base to properly gauge the tax burdens. In addition, a cut in one type of tax often results in an increase in other types of taxes, as governments must continue to secure tax revenues. Nevertheless, in the absence of harmonized tax bases, the survey's comparison of global tax rates provides a useful impression of international corporate tax burdens.

Other factors to consider when comparing tax burdens include:

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

If you have any further queries about this survey, please contact us via e-mail at the following address: gofmicttaxratesurvey@kpmg.com

Forward text and graphics provided by Michael Katovitz, KPMG LLP, in the United States.

KPMG's Corporate Tax Rates Survey

Table 1 – Average Corporate Tax Rates at 1 January 2004

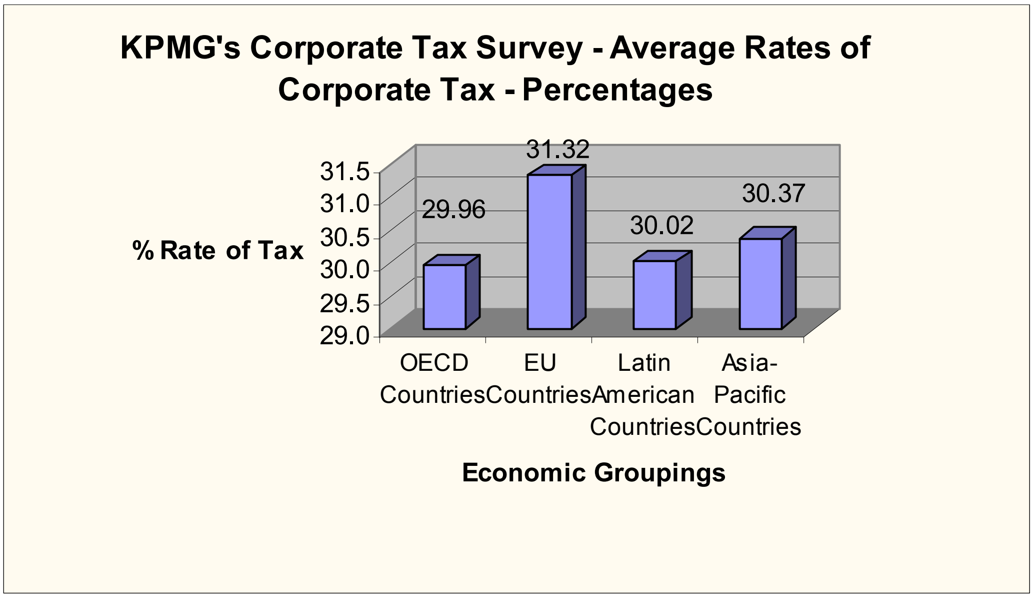
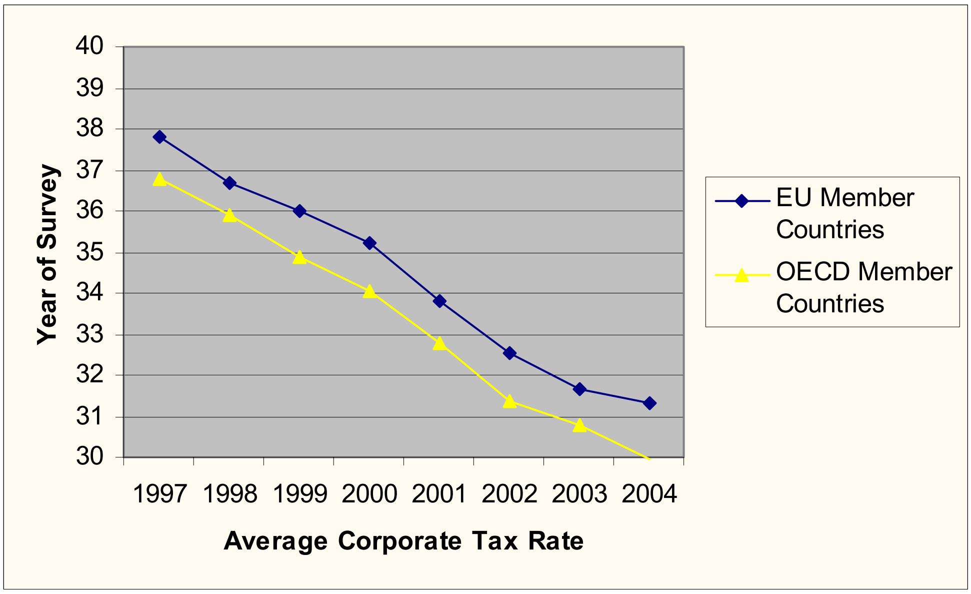


Table 2 – OECD and EU Average Corporate Tax Rates – 1997-2004



KPMG's Corporate Tax Rates Survey — January 2004

OECD ◆	EU ◆	Asia Pacific ◆	Latin America ◆	Country	1 Jan 2003 (%)	1 Jan 2004 (%)		Notes
			◆	**Argentina**	35	35		1
◆		◆		**Australia**	30	30		2
◆	◆			**Austria**	34	34		3
		◆		**Bangladesh**	30	30*		4
◆	◆			**Belgium**	33.99	33.99		5
			◆	**Belize**	25	25		6
			◆	**Bolivia**	25	25		7
			◆	**Brazil**	34	34		8
◆				**Canada**	36.6	36.1		9
			◆	**Chile**	16.5	17		10
		◆		**China**	33	33		11
			◆	**Colombia**	35	35		12
			◆	**Costa Rica**	36	30		13
				Croatia	20.32	20.32		14
				Cyprus	10/15	10/15		15
◆				**Czech Republic**	31	28		16
◆	◆			**Denmark**	30	30		17
				Dominican Republic	25	25		
			◆	**Ecuador**	36.25	36.25		18
			◆	**El Salvador**	25	25		19
		◆		**Fiji**	32	31		20
◆	◆			**Finland**	29	29		20A
◆	◆			**France**	34.33	34.33		21
◆	◆			**Germany**	39.58	38.29		22
◆	◆			**Greece**	25/35	25/35		23
			◆	**Guatemala**	31	31**		24
			◆	**Honduras**	25	25**		25
		◆		**Hong Kong**	16	17.5		26
◆				**Hungary**	18	16		27
◆				**Iceland**	18	18		28
		◆		**India**	36.75	35.875		29
		◆		**Indonesia**	30	30		30
◆	◆			**Ireland**	12.5	12.5		31
				Israel	36	36		32
◆	◆			**Italy**	38.25	37.25		33
◆		◆		**Japan**	42	42		34
◆		◆		**Korea, Republic of**	29.7	29.7		35
◆	◆			**Luxembourg**	30.38	30.38		36
		◆		**Malaysia**	28	28		37
◆			◆	**Mexico**	34	33		38
◆	◆			**Netherlands**	29/34.5	29/34.5		39
◆		◆		**New Zealand**	33	33		40
◆				**Norway**	28	28		41
		◆		**Pakistan**	35	35		42
			◆	**Panama**	30	30		43

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OECD ◆	EU ◆	Asia Pacific ◆	Latin America ◆	Country	1 Jan 2003 (%)	1 Jan 2004 (%)		Notes
		◆		**Papua New Guinea**	30	30		44
			◆	**Paraguay**	30	30**		45
			◆	**Peru**	27	30		46
		◆		**Philippines**	32	32		47
◆				**Poland**	27	19		48
◆	◆			**Portugal**	33	27.5		49
				Romania	25	25		50
				Russia	24	24		51
		◆		**Singapore**	22	22		52
◆				**Slovakia**	25	19		
				South Africa	37.8	37.8		53
◆	◆			**Spain**	35	35		54
		◆		**Sri Lanka**	35	35**		55
◆	◆			**Sweden**	28	28		56
◆				**Switzerland**	24.1	24.1		57
		◆		**Taiwan**	25	25		58
		◆		**Thailand**	30	30**		59
◆				**Turkey**	33	33		60
				Ukraine	30	25		61
◆	◆			**United Kingdom**	30	30		62
◆				**United States**	40	40		63
			◆	**Uruguay**	35	35		64
			◆	**Venezuela**	34	34		65
		◆		**Vietnam**	25/32	28		66

Note:

- A simple comparison of tax rates is not sufficient for assessing the relative tax burdens imposed by different governments. The method of computing the profits to which the tax rates will be applied ("the tax base") should also be taken into account.
- The above rates do not reflect payroll taxes, social security taxes, net wealth taxes, turnover/sales taxes and other taxes not levied on income.

* At the time of publishing, Bangladesh reported that final rates are expected to announced the last week of June 2004. Rates will apply on income earned in the income year falling within 30 June 2004. However the rates are unlikely to change significantly

** Please note that the 2003 tax rate was used for 2004 reporting purposes for these countries, as we have yet to receive the current rates.

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1 **Argentina** *(2004 rate = 35%)*: Minimum Presumed Income Tax. This is a 1% tax on the company's assets (liabilities cannot be deducted). Some assets are tax-exempt, e.g. stocks and other capital share of other entities subject to taxation, the assets of mining companies. The acquisitions of new goods subject to depreciation –except for automobiles- as well as the investment in construction of new buildings or refurbishing (for the first two years) are excluded from this tax. The income tax determined for the same fiscal year may be considered as a payment on account of this tax as long as the income tax obligation does not exceed the amount of the presumed minimum income tax. Otherwise the excess of income tax does not constitute a tax credit. The excess in any given year, of the presumed minimum income tax over the income tax liability can be carried forward over ten years to offset income taxes.

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2 **Australia** *(2004 rate = 30%)*: The corporate income tax rate applies to income earned during the period 1 July to 30 June. If a company has approval to use a different year-end for tax purposes, the period approved must still relate to a 30 June year-end (i.e., year ended 31 December 2003 will generally relate to the year of income in which the accounting periods ends – i.e. 30 June 2004). For the year 1 July 2001 to 30 June 2002 and later income years, the corporate income tax rate is 30%.

3 **Austria** *(2004 rate = 34%)*: For 2005 a reduction of the corporate tax rate from 34 % to 25 % has been proposed by the Austrian government. The legislative enactment will be executed in the next month.

4 **Bangladesh** *(2004 rate = 30%)* Publicly traded companies i.e. listed companies other than banks and financial institutions are taxed at 30% relating to income year falling within 30 June 2003. If a publicly traded company other than banks and financial institutions pays dividend at 20% or more on paid-up capital for that income year then it will be allowed a rebate of 10% on tax payable and if it pays dividend below 10% for the year then such a publicly traded company will be taxed at 37.5% instead of 30%. All other companies including branches of foreign companies are taxed at 37.5%. Banks, insurance companies, leasing companies and other financial institutions are taxed at 45%. Companies will be required to pay a "dividend distribution tax" at the rate of 10% on dividend declared but the shareholders receiving dividend will not be taxed on such dividend. If a listed company other than banks, insurance and leasing companies pays dividend at less than 15% in spite of having sufficient divisible profit then such a company will pay an additional tax of 5% on undistributed profit. Undistributed profit = (disclosed income + accumulated profit + free reserve) - (dividend/bonus share paid/issued or declared + tax payable for the year + paid-up capital). If the profit earned by a bank exceeds 50% of its capital and reserve then such a bank will pay "excess profits tax" at the rate of 15% on such additional profit. Any new industrial company set up before 30 June 2005 may pay corporate tax at the rate of 20% for a period of 5 years from start of commercial operation, if it elects not to apply for tax holiday.

5 **Belgium** *(2004 rate = 33.99%)*: The rate of 33.99 % was introduced by law of 24 December 2002 (Belgian official gazette of 31/12/2002) and is applicable as of income years starting 01/01/2003 (tax year 2004). A lower tax rate applies to companies that are owned more than 50% by individuals. The tax rate incorporates a “crisis” levy of 3%.

6 **Belize** *(2004 rate = 25%)*: A monthly business tax on gross revenues was enacted in July 1998 and at the same time the corporate income tax was abolished. For most companies, the business tax was established at the rate of 1.5%. In April 1999, corporate income tax was re-enacted at a reduced rate of 25% (previously 35%) and the business tax was reduced to 1.25%. Business tax assessed during the year is credited against the corporate income tax liability, and, at the end of the tax year, any excess corporate tax liability is cancelled provided a corporate income tax return is filed. Business tax remains as the final tax, and any excess over the corporate tax liability is claimed as an expense in the following year’s corporate tax filing. Approved losses, based on corporate tax filings, can be offset against 20% of the monthly assessment to business tax.

7 **Bolivia** (*2004 rate = 25%*): The main corporate tax levied by the central government is the annual profit tax (“IUE”) currently levied at a rate of 25%. The amount settled with the authorities for this tax is considered as an on-account payment towards the subsequent year’s 3% Transactions Tax. An effective tax rate of 12.5% applies to payments of income/net dividends to non-resident parent companies. Certain activities that are partly performed in Bolivia by foreign companies’ 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% is applied to gross income arising from these activities. When paid or credited, the amount resulting from applying this rate is treated as follows: The amount resulting from applying 4% can be offset against any liability arising from the 3% Transactions Tax. The balance of 1.5% may not be used in this way. Where the above-mentioned activities are performed by companies established in Bolivia and these companies contract with foreign companies then a withholding tax of 2.5% will apply on remittances or credits recorded to such foreign companies.

8 **Brazil** *(2004 rate = 34%)*: The 34% rate is the sum of Corporate Income Tax and Social Contribution Tax on Profits. The corporate income tax rate is 25%, which comprises a 15% basic rate plus a surtax of 10% on annual income over BRL 240,000. There is also a Social Contribution Tax of 9% on corporate income. A tax credit (*bonus de adimplência fiscal*) related to the Social Contribution Tax may be available under specific circumstances, calculated at 1% on a specific basis - the basis is currently 12% of gross sales revenues plus 100% of other revenues (financial revenues, etc.). Additionally, art. 30 of Law n. 10833 establishes that the payments for fees related to certain services (such as cleaning services, maintenance services, security services, credit advisory services, among others) are subject to the withholding Social Contribution Tax on Profits at a 1 percent rate due by the service provider. The withholding Social Contribution may be offset against the Social Contribution Tax on Profits.

9 **Canada** *(2004 rate = 36.1%):* Includes federal tax of 22.1% (including surtax) for 2004 plus provincial tax. Depending on the province, the total effective rate for 2004 ranges from 31.0% – 39.1% (27.1% – 38.1% for manufacturers). 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.

10 **Chile** *(2004 rate = 17%)*: During 2001, a new Corporate Tax Rates law was issued. According to this new law, the corporate tax rate will increase from 15% to 17% over a three-year period. This means that corporate income earned in 2002 will be subject to a 16% tax rate; income earned in 2003 will be subject to a 16.5% rate and income earned in 2004 and subsequent years will be subject to a 17% tax rate. If corporate profits are distributed abroad, the withholding tax rate is 35%, with a credit for the tax previously paid on undistributed profits (the amount of the credit will depend on the tax rate paid by the profits distributed, 15%, 16% or 16,5%). Profits distributed to physical persons in Chile are subject to a progressive rate applicable to the recipient of the distribution. Profits distributed to legal entities domiciled or resident in Chile are not subject to Income Tax.

11 **China** *(2004 rate = 33%)*: A tax reform is being carried out in China. Details may be issued in 2005 the earliest. This tax rate is applicable to Foreign Investment Enterprises ("FIE") and includes both the state tax rate of 30% and a local tax of 3%. Domestic enterprises are subject to a different set of tax laws and regulations. Please note that the state tax rate of 30% may be reduced to 15% or 24% if the FIE is located in one of the specially designated zones in the 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 3% may be waived or reduced by the local government.

12 **Colombia** *(2004 rate = 35%)*: Dividends transferred abroad are subject to a 7% withholding tax. However, this liability will be deferred where the dividends are reinvested in Colombia and will be cancelled completely if such a reinvestment is maintained for at least 5 years. If dividends have not already been taxed in the

Colombian corporation, then a withholding of 35% will also apply when such dividends are distributed. 2002 Tax Reform created a surcharge that applies on taxpayers who are liable to file income tax returns in Colombia. For 2003, the surcharge is equal to 10% of the net income tax. Starting from 2004, this surcharge will be equivalent to 5% of the net income tax. There is also a municipal industry and commerce tax on total revenues. Rates range from 4.14% up to 13.8%. 80% of the Municipal Industry and Commerce tax is deductible for income tax purposes.

13 **Costa Rica** *(2004 rate = 30%)*: The Corporate Income Tax rate is 30%. Reduced rates are available for smaller companies. Corporate entities with gross income under CRC 21.468.000,00 are subject to a 10% Corporate Income Tax Rate; corporate entities with gross income exceeding 21.468.000,00, but under 43.183.000,00 are subject to a 20% Corporate Income Tax Rate. Corporate entities with gross income exceeding 43.183.000,00 are subject to the ordinary 30% rate. Distribution of dividends is subject to an additional 15% withholding tax on the amount being distributed.

14 **Croatia** *(2004 rate = 20.32%)*: The Corporate Profit Tax ("CPT") rate is 20.00%. The CPT rate is lower (25%, 50%, 75% of the prescribed rate) in special "state care" areas and in the Vukovar city area. The CPT rate may decrease with investments (down to 7%, 3% and 0% for investments of 10, 20 and 60 million Kuna respectively) in newly founded Croatian companies if certain conditions are met. The CPT rate is lower (50% of the prescribed rate) or eliminated (if an investment higher than 1 million Kuna is made in the Free Trade Zone infrastructure) for companies operating in Free Trade Zones. The withholding tax rate is 15% and applies to a range of payments made by Croatian legal entities to foreign legal entities. (Republic of Croatia, Ministry of Finance, Corporate Profit Tax Law, December 2000). Tourist and Forestry taxes are turnover taxes and have been included in the calculation of the total effective tax burden. For tourist tax, if applicable, there are two major categories according to the type of the business, which are divided in sub-categories depending on where business is conducted and the range of rates is 0,08 to 0,25. (Republic of Croatia, Ministry of Finance, Law on Tourist Community Membership, April 1994). Forestry tax rate is 0,07% of total company turnover. (Republic of Croatia, Ministry of Finance, Law on Forest, February 2002)

15 **Cyprus** *(2004 rate = 10%/15%)*: The Corporate tax rate is 10% but for the years of assessment 2003 and 2004, where the chargeable income of a company or public corporate body exceeds the amount of one million pounds it shall be subject to an additional tax at the rate of five per cent (5%) on the amount exceeding one million pounds (CY£1,000,000).

Every "public corporate body" (a legal person of public law or any other public corporate body established by law for the public interest not withstanding that such a body is deemed to be an agent, servant of the state or in consimili casu to servant of the state) is subject to levy of special contribution for the Defense of the Republic Law (2002) at the rate of three per cent (3%) on its chargeable income except on income from dividends, interest and rents and before the deduction of losses.

16 **Czech Republic** *(2004 rate = 28%)*: A special rate of 15% applies to the profits of investment and pension funds. Income from dividends is taxed at 15%. Manufacturing companies that meet conditions set by the Investment Incentives Act can benefit from a corporate income tax relief for up to ten years.

17 **Denmark** *(2004 rate = 30%)*: Corporations must make prepayments of corporate tax during the income year. If the final tax liability exceeds the prepayments a surcharge of 10% of the outstanding tax liability will be payable. There are no local taxes on corporations.

18 **Ecuador** *(2004 rate = 36.25%)*: The 36.25% is the sum of the Corporate Income Tax rate of 25% and a 15% employees' profit sharing; the 15% employees´ profit sharing expense is deducted when computing the taxable income. The Corporate Income Tax rate of 25% reduces to 15% if earnings are reinvested in the same company through increases in the common stock. Dividends being distributed with charge to earnings taxed at 25% rate are not subject to any additional taxes. The municipal tax is 0.15% of total assets less current liabilities.

19 **El Salvador** *(2004 rate = 25%)*: A prepayment of 1.5% on gross income is made on a monthly basis. This is compared at the end of the year with the annual income tax liability. There are no other taxes levied on income before tax. Dividends are not taxable.

20 **Fiji** *(2004 rate = 31%)*: In 2003, the corporate tax rate was maintained at 32% for companies incorporated in Fiji and also companies operating as a branch of a non-resident company. The rate with effect from 1 January 2004 will reduce to 31%.

20A**Finland** *(2004 rate = 29%):* Finnish government has proposed the corporation tax rate to be lowered to 26%. This tentative tax rate would be applied generally to all Finnish corporations. The proposal will be processed and decided by the Parliament in 2004, and if the motion is approved as such, the 26% tax rate will be effective as from 1 January 2005.

21 **France** *(2004 rate = 34.33%)*: For financial years closed in 2002 and 2003, the 34.33% rate is made up of the current corporate tax rate of 33.33% plus a 3% additional contribution of the corporate tax applicable to all companies. Moreover, a 3.3% social contribution of the corporate income tax is applicable to companies the corporation tax of which exceeds €763,000 with a gross income deduction of said amount, giving when applicable a CIT rate of 35.43%. Companies that (i) realize a maximum turnover of €7,630,000, and (ii) at least 75% of the share capital is continuously owned by individuals or by companies meeting the same conditions are subject to corporate tax at a specific rate of 15% on the portion of the taxable profit that does not exceed €38,120. Such companies are also exempt from the 3.3% contribution.

22 **Germany** *(2004 rate = 38.29%)*: This rate applies to both retained profits and distributed profits. The rate includes corporate tax at 25,0% (plus 5.5% solidarity surcharge hereon) and trade tax on income. The trade tax varies from 13.04% to 20.00%, assuming a municipality multiplier (Hebesatz) ranging normally from 300% to 500% (The average multiplier for 2002 was 386%. Since 2004 there is a legislation of a minimum trade tax multiplier of 200% to eliminate trade tax oases.). Since the trade tax is a deductible item when calculating the corporate income tax, the corporate tax rate is based on the operating profit reduced by the trade tax of 16.18% assuming the average multiplier of 386% is applied.

23 **Greece** *(2004 rate = 25%/35%)*: The 35% 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 25%. A discount of 2.5% is given to companies that settle their corporate tax liability in full when they file their tax returns. A 3% surcharge applies to gross rental income, but the surcharge may not exceed the primary corporate tax.

24 **Guatemala** *(2004 rate = 31% Please note that the 2003 tax rate was used for 2004 reporting purposes for this country, as we have yet to receive the current rate):* There is an annual company tax for mercantile and farm enterprises (IEMA) that resident

companies must pay quarterly. The tax may either be calculated as 3.5% on the total assets or as 2.25% on the gross annual income. Balance sheet or P&L statements of the previous fiscal year must be used for this tax calculation. This payment can be used as a tax credit for any income tax liability arising in the following year. If the company does not generate taxable income in the following calendar year, the prior year payment of IEMA tax is treated as a minimum payment of income tax. Also, another option exists which allows the income tax paid during calendar year to be deducted from the IEMA in the same calendar year.

25 **Honduras** *(2004 rate = 30%)*: The Corporate income tax rate of 25% plus 5% of temporary solidarity contribution when the taxable net revenue is higher than L.1,000,000. In addition, there is a net assets tax of 1% that is calculated on the monetary value of the assets that appears on the balance sheet less the allowances for doubtful accounts and accumulated tax depreciation. The amount of the income tax paid during the previous fiscal year is recognized as a credit against this tax.

26 **Hong Kong** *(2004 rate = 17.5%)*: Hong Kong SAR is a Special Administrative Region of the People's Republic of China. The 17.5% rate (with effect from financial year 2003/04) applies to Hong Kong sourced profits that are derived from a business carried on in Hong Kong. Offshore profits, capital gains, dividends and most bank deposit interest income are also exempt from tax. Profits derived from certain securities or types of business (e.g. qualifying debt instruments or profits derived from the business of reinsurance of offshore risks by a professional re-insurer) are neither exempt from tax nor subject to a concessional rate of 8.75% (one half of the standard rate of 17.5%).

27 **Hungary** *(2004 rate = 16%)*: The tax rate on a corporation's taxable profits is 16%. (effective as of 1 January 2004) A local business tax of up to 2%, based on turnover, is deductible from the corporation's tax base. Also, as of 1 January 2004, PBT can be decreased by a further 25% of the amount of local business tax liability. A 20% withholding tax is imposed on dividends paid to foreign companies unless the recipients re-invest the dividends directly in a Hungarian company. However, most of Hungary's tax treaties reduce the domestic withholding tax to between 5% and 15%. Dividends paid to Hungarian companies are not subject to withholding tax. Following Hungary's accession to the EU, payments of dividends to qualifying EU resident companies will be possible without withholding tax, if certain ownership requirements are met. As of 1 January 2004, no withholding tax is levied on interest and royalties irrespective of the country of the recipient.

28 **Iceland** *(2004 rate = 18%)*: This rate applies to limited liability companies. The rate for partnerships registered as taxable entities, legal entities other than limited liability companies, such as limited partnerships, associations, private non-profit institutions, trust funds, estates of decreased persons and bankruptcy estates is 26%. Dividends received by one resident company from another resident company are exempt. The exemption also applies to foreign dividends if the resident recipient company can show (1) that the dividends are received from a company whose profits have been taxed abroad under provisions that do not substantially deviate from those prevailing in Iceland, and (2) that the profits of the foreign company have been subject to taxation at a rate that is not lower than the general tax rate in any OECD country. Dividends paid by resident companies to shareholders are subject to withholding tax. The rate is 10% for individuals and resident companies. In the case of payments to non-resident corporate shareholders, the rate is 15% unless reduced by treaty. Iceland's tax treaties usually reduce the domestic withholding tax to between 0% to 15%. If a company is liquidated without a merger, any distributions in excess of the purchase price of the shares shall be treated as dividends for taxation purposes. Interest paid to residents is subject to withholding tax at the rate of 10%. Interest paid to non-residents is not subject to withholding tax, provided that the non-residents have

applied to the local Tax Commissioner for this tax exemption. If tax has been withheld on interest paid to non-residents, a refund can be claimed. Royalties paid by resident companies to non-residents are subject to withholding tax. The rate for income year 2004 is 25.75% for individuals, 18% for limited liability companies and 26% for partnerships and legal entities other than limited liability companies, such as limited partnerships, associations, private non-profit institutions, trust funds, estates of decreased persons and bankruptcy estates. In addition, municipal income tax is levied on royalties paid to non-resident individuals at the average rate, which is 12.83% for income year 2004. These rates can be reduced by double taxation treaties to between 0% to 15%. Source: The Government Gazette, published by the Ministry of Justice.

29 **India** *(2004 rate = 35.875%)*: A minimum alternate tax is levied at the rate of 7.5% (plus surcharge of 2.5% of the tax) on the adjusted profits of those companies where the tax payable is less than 7.5% of their book profits (making the minimum effective tax rate 7.6875%). Foreign companies are taxed at 41% (40% plus a surcharge of 2.5% of the tax). Non-residents and foreign companies engaged in shipping, air transport, and oil and gas and turnkey power projects are taxed on a deemed profit basis of 7.5%, 5% and 10% respectively (i.e., the effective tax rate for these companies is 3.075%, 2.05% and 4.10% respectively). Dividend Distribution Tax is levied at the rate of 12.8125% (12.5% plus surcharge of 2.5% of the tax) on the dividends distributed by the domestic Company.

30 **Indonesia** *(2004 rate = 30%)*: This rate applies to a resident's income over IDR 100 million. Income between IDR 0 - 50 million is taxed at 10%, and income between IDR 50 - 100 million is taxed at 15%. Certain income received by non-residents is taxed at 20%. An additional 20% branch profits tax is imposed on the after-tax profits of a permanent establishment (subject to treaty relief).

31 **Ireland** *(2004 rate = 12.5%)*: The current corporate tax rate applying to new operations, assuming that the income is regarded as active is 12.5%. A 25% rate applies to passive income and income from certain land dealing activities, mining and petroleum activities. A special 10% rate applies to active trading income derived by certain existing manufacturing companies and qualifying income of IFSC (International Financial Services Centre) and Shannon companies. This special rate will expire between 2003 and 2010 (depending on the type of company in question and when it received approval for its project qualifying for the 10% rate) and will be replaced by the standard 12.5% rate. Capital Gains are taxed at the rate of 20%.

32 **Israel** *(2004 rate = 36%)*: Financial institutions are subject to a profits tax at the rate of 17.167% and a payroll tax at the rate of 17% (18% until end February 2004), both of which are deductible for income tax purposes. The effective rate of tax on such corporations is 45.376%. Companies with an "approved enterprise" enjoy reduced rates of tax that vary depending on the national priority zone in which the company is located, the type of incentive scheme applied for and the level of foreign ownership in the company. Capital gains are liable to 25% tax with effect from 2003. Special terms apply to assets purchased prior to December 31,2002. Certain foreign dividend income is liable to a reduced 25% tax rate.

33 **Italy** *(2004 rate = 37.25%)*: This rate is comprised of the new 33% corporate income tax rate (the so-called Imposta sul reddito delle società (IRES) that replaced the Imposta sul reddito delle persone giuridiche (IRPEG) starting from 1 January 2004) and the basic 4.25% regional tax (IRAP – to be abolished sometime in the next few years) that is applied on a different (wider) tax basis from that utilized for the calculation of the corporate income tax (consequently, the effective rate would normally be higher than the one indicated above). The Italian regions have the right to vary (either increasing or decreasing) the aforesaid basic 4.25% Imposta regionale sulle attività productive (IRAP) rate by up to 1%. With regard to 2003 the corporate

income tax rate has in effect decreased by 1%. This reduction is a consequence of the corporate tax reform promoted by the Italian government with the principal aim of conforming the Italian tax system to those previously adopted by other European countries. Consequently, special tax treatments have been introduced (dividends and capital gains exemption, thin capitalization provisions, domestic and worldwide tax consolidation, new foreign tax credit system, policy for a transparent taxation, etc.). On the other hand the dual income tax (DIT) system has been abolished together with the 19% substitute tax, which was applied in the past on certain extraordinary operations (e.g. mergers, exchanges of shares, business contributions).

34 **Japan** *(2004 rate = 42%)*: Includes corporation income tax (30%), business, prefectural and municipal taxes. The rate shown is the effective tax rate using tax rates for Tokyo after taking into account the deduction for business tax. Please note that for small and medium sized corporations with paid-in capital of JPY 100 million or less, the corporation income tax rate is reduced to 22% on the first JPY 8 million of net taxable income and 30% on the excess of JPY 8 million. For accounting periods beginning on or after April 1, 2004, a new concept to levy business tax based on corporate size will be introduced for large-sized corporations with paid-in capital of more than JPY 100 million. Since business tax for large-sized corporations will be imposed not only on corporate income, but also on corporate size (e.g. Labor costs, Net interest payments, Net rent payments and Paid-in capital and capital surplus), the standard business tax rate for Tokyo on corporate income for large-sized corporations will be reduced from 10.08% to 7.56%. Accordingly, the effective tax rate for large-sized corporations based on standard rates for Tokyo will be 40.7% (plus size based portion) for the accounting periods beginning on or after April 1, 2001.

35 **Korea, Republic of** *(2004 rate = 29.7%)*: With effect from 1 January 2002, the corporate income tax rate was reduced by 1% as part of the Korean government's measures to stimulate corporate investment in Korea. Therefore, where taxable income exceeds KRW 100 million then a tax rate of 29.7% (previously 30.8%) will apply (inclusive of resident surtax). For taxable income up to and including KRW 100 million a tax rate of 16.5% (previously 17.6%) will apply (inclusive of resident surtax). Effective from 1 January 2005, the corporate income tax rate will be reduced by 2%; the new corporate income tax rates (inclusive of resident surtax) will be 27.5% (previously 29.7%) where taxable income exceeds KRW 100 million, and 14.3% (previously 16.5%) for taxable income up to and including KRW 100 million. Effective from January 1, 2004, in addition to the corporate income tax on capital gains, a special additional capital gains tax on the sale of residential property of 30% (40% for non-registered property) was introduced.

36 **Luxembourg** *(2004 rate = 30.38%)*: The rate of corporate income tax ("IRC") (including a 4% employment fund contribution) is 22.88%. The 30.38% rate includes municipal business tax at an effective rate of 7.5%, or 6.98% for business undertakings not subject to IRC (although rates vary among regions). From 2002, Municipal tax is no longer deductible for corporate tax purposes or from its own base.

37 **Malaysia** *(2004 rate = 28%)*: Profits from inward reinsurance and offshore insurance are taxed at 5%. Income from a life fund is taxed at 8%. A non-resident is taxed either on 5% of gross shipping or air transport income derived from Malaysia or on that part of the Malaysian gross income computed in the proportion of world-wide profits to world-wide gross income. Income derived by residents from the transportation of passengers or cargo on board Malaysian ships is exempt. Companies engaged in petroleum operations are subject to petroleum income tax at 38% of net profits. Leasing income received by a non-resident without a permanent establishment in Malaysia for use of movable property is taxed at 10%. If leasing income constitutes business income of a permanent establishment then it will be taxed at 28%. Chargeable income of up to RM500,000 of a small and medium scale company is taxed at 20% with the balance exceeding RM500,000 being taxed at the

normal rate of 28%. This is effective from Year of Assessment (YA) 2004 and subsequent YAs. Small and medium scale companies are those companies with paid up capital (ordinary shares) of RM2.5 million and less.

38 **Mexico** *(2004 rate = 33%)*: The Mexican Income Tax Law provides a 32% corporate tax rate, a transitory provision has stated that for 2002 the corporate tax rate will remain at 35%. The 35% corporate tax rate will gradually reduce by one percentage point each year until it reaches 32% by 2005. For 2004, the corporate tax rate will be 33%; and then in 2005 it will be reduced to 32%. Furthermore, this law eliminates the 5% withholding tax on dividend distributions. Additionally, this law also eliminates the option to defer a portion of the corporate tax when dividends are not distributed (provisions in force for years 1999, 2000 and 2001.

39 **Netherlands** *(2004 rate = 29%/34.5%):* A 34.5% corporate tax rate applies from 1 January 2002. However, on the first € 22,689 (NLG 50,000) of taxable profit a reduced rate of 29% is applied.

40 **New Zealand** *(2004 rate = 33%)*: The corporate income tax rate applies to a year of income 1 April to 31 March. If a company has approval to use a different year-end for tax purposes the period approved will still relate to a 31 March year-end (i.e., a balance date from 1 October to 30 September is in lieu of the 31 March in the middle of that period). Distributions to resident shareholders can be imputed to the extent tax has been paid. Non-resident shareholders pay no more than 33% if the dividend is fully imputed. Although New Zealand has a withholding tax of 15% on dividends, this is effectively removed to the extent the New Zealand company paying the dividend attaches imputation credits. New Zealand levies NRWT (Non-resident withholding tax) on all interest and royalties derived by non-residents, although the tax on interest can be reduced to 2% if it is paid as a non-creditable levy. A withholding tax of 15% (that can be reduced to nil in certain circumstances, e.g., if there is no permanent establishment in New Zealand) applies to the use of machinery, plant and equipment and some services provided by non-residents. A flat tax of 3.3% applies to general insurance premiums and film hire taxes paid to non-residents. New Zealand offers film grants equal to 12.5% of film production expenditure. Both local and overseas productions of feature films, television movies, television dram and mini series will qualify.

41 **Norway** *(2004 rate = 28%)*: For 2003, the rate comprises a 28% corporate tax. The effective tax rate for dividends received by resident shareholders from resident companies is 0% for the year 2003.

42 **Pakistan** *(2004 rate = 35% Please note that the 2002 and 2003 tax rate was used for 2004 reporting purposes for this country, as we have yet to receive the current rate):* Pakistan tax laws provide different corporate tax rates depending upon the status of companies. These rates are applied to the taxable income of the company and may vary period to period. For example for a tax year 2004, comprising period 01 July 2003 to 30 June 2004 or 01 January 2003 to 31 December 2003, corporate tax rate of 41% is applicable to Private Companies, 35% tax rate is applicable to public companies whilst 44% tax rate is applicable to banking company. Dividend payment to a public company or an insurance company is subject to withholding tax rate of 5%. In all other cases withholding tax rate on dividend is 10%. The withholding of tax on dividend payment is considered as full and final discharge of tax liability.

43 **Panama** *(2004 rate = 30%)*: There is no other tax on corporate income besides 30% corporate income tax. Upon distribution to shareholders a 10% dividend tax must be withheld by the enterprise. If there is no distribution, or if the distributed amount is less than 40% of net earnings, a so-called complementary tax of 4% is due as an advanced dividend tax.

44 **Papua New Guinea** *(2004 rate = 30%)*: Mining and gas companies pay tax at 30%. Existing Petroleum projects pay tax at 50% whilst new petroleum projects are taxed at either 45% or 30% depending on when the license is issued. Non-resident mining companies pay tax at 48%. A branch of a foreign company is also taxed at 48%. Non-residents are taxed on a deemed profit basis (shipping: 5%, i.e., an effective tax rate of 2.4% of gross income; insurance: 10%, i.e., an effective tax rate of 4.8% of gross income). Foreign contractors can elect to be taxed on a deemed profit basis of 25% (i.e., an effective tax rate of 12% of gross income).

45 **Paraguay** (*2004 rate = 30% Please note that the 2003 tax rate was used for 2004 reporting purposes for this country, as we have yet to receive the current rate*): A general income tax rate of 30% is applied to income of companies established under Paraguayan laws but, since Paraguay does not levy personal income tax, certain payments to non-taxpayers are not fully deductible for corporate income tax purposes. Profits reinvested in industrial assets and forestation pay the income tax at 10%. As such, the effective rate may vary significantly depending on the corporation activity. Dividends of resident shareholders are not taxable but profits and dividends paid to non-resident shareholders are subject to an additional 5% rate. Foreign branches companies established in Paraguay pay tax at 35%. Foreign companies non-established, but which develop any taxable activity in the country, pay the income tax by withholding at a general tax rate of 17.5% applied to the gross income paid. **Special regimes**: Cultural activities like education and edition and commerce of books for educational purposes, are exempt of income tax. Some encouraged activities have fiscal incentives (law 60/90) and pay income tax at a rate of 1.5% for a period from 5 up to 10 years. Instead of all other taxes, companies under "**maquila**" regime pay only a special tax at a rate of 1% applied to the national added value. **Free Zones** companies pay an special income tax at a rate of 0,5% applied to exported gross income instead of all other taxes. The tax rate applied to stock exchange companies is 15%, up to year 2008.

46 **Peru** *(2004 rate = 30%)*: In addition to the 2004 tax rate of 30%, the Income Tax Law has established a tax rate of 4.1% over all sum or delivery in kind which results, as consequence of a fiscal audit, in taxable income of the third Category, provided that such income means an indirect disposition of the same not susceptible of posterior tax control, including sums charged to results as income or expenses which where not declared. Tax on dividends paid will apply (4.1%) except where dividends are paid to domiciled entities. Stock dividends are not subject to taxes.

47 **Philippines** *(2004 rate = 32%)*: Domestic corporations and resident foreign corporations on the fourth year immediately following the year in which they started business operations (reckoned from the year they registered with the Bureau of Internal Revenue) are subject to the 2% minimum corporate income tax (MCIT) based on gross income if the MCIT is greater than the normal corporate income tax. A 10% Improperly Accumulated Earnings Tax (IAET), subject to certain exceptions, is also imposed on undistributed earnings of closely-held corporations, which are corporations in which at least 50% in value of its outstanding capital stock or at least 50% of the total combined voting power of all classes of stock entitled to vote is owned directly or indirectly by 20 individuals or less. Foreign corporations with Philippine branches pay 15% branch profits remittance tax (PEZA – registered corporations are exempt) unless the applicable tax treaty provides otherwise. There are also several other special tax regimes for certain types of activity.

48 **Poland** *(2004 rate = 19%)*: Income from dividends are taxed at 19%, interest and royalties due to foreign companies are taxed at 20% and certain transportation services provided by foreign companies are taxed at 10%. All payments to non-residents for consulting, legal, controlling and other similar intangible services are

subject to 20% withholding tax. The above rates are applicable unless overruled by the relevant double tax treaty. After Poland's accession to the EU interest and royalties payable to related parties resident in EU may be taxed at lower rates and dividends paid to EU-parent companies may be exempt from withholding tax under certain conditions.

49 **Portugal** *(2004 rate = 27.5%)*: This rate includes municipal tax at 2.5%. Municipal tax at a maximum of 10% of the national tax rate is levied in most municipalities.

50 **Romania** *(2004 rate = 25%)*: A special reduced tax rate of 12.5% was applicable in 2003 in respect of qualifying export earnings. As from 1 January 2004, such earnings are subject to the standard corporate income tax of 25%. Profits earned from operations in free trade zones are subject to a 5% corporate income tax rate until 31 December 2004. As from 1 January 2005, profits earned from operations in a free trade zone will be subject to the regular corporate income tax of 25%. Note that until 30 June 2007 a special tax **exemption** applies to certain companies carrying out manufacturing activities, which had been pre-invested in the Free Trade Zone prior to 30 June 2002. Profits earned from nightclubs, casinos, discotheques and sport betting organizers are levied at the standard income tax rate of 25%, but the income tax cannot be lower than 5% of qualifying gross revenue earnings. Micro-enterprises are defined as legal entities having 1 to 9 employees, revenues of no more than EUR 100,000 and fully private share capital. Instead of paying the regular corporate tax of 25% of profit, micro-enterprises may choose to pay a tax of 1.5% of the total **gross revenues** of the micro-enterprise, 25% for regular activities, 12.5% (in 2003 only) for export related activities, 1.5 for micro-enterprises and 5% for activities within free trade zones. (The relevant source of information in relation to the Romanian profit tax rates applicable for the year 2003 is the Romanian Profit Tax Law no. 414/2002, published in the Official Journal of Romania no. 456 from 27 June 2002. As from 1 January 2004 the relevant information applicable is contained in the Romanian Fiscal Code, as approved by Law no. 571/2003, published in the Official Journal of Romania no. 927 from 23 December 2003*).*

51 **Russia** *(2004 rate = 24%)*: This tax is established by federal authorities, but the payments are split between the federal budget (5.0%, 2003 - 6%), regional budgets (17%, with the right to reduce this to 13%, 2003 - 16%, with the right to reduce it to 12%) and local budgets (2%). A withholding tax is levied on income of foreign legal entities at a rate of 20%. Where dividends are paid to non-residents, the withholding tax rate is 15%. Freight income is taxed at 10%. Interest income on state securities is taxed at 15% or 0%.

52 **Singapore** *(2004 rate = 22% - applicable on income derived in 2002 and 2003)*: On 27th Feb 2004, the Minister for Finance announced in the 2004 Budget that the corporate tax rate will be reduced from 22% to 20% on income earned /derived in the financial year 2004. This has not been enacted as law yet.

From the Year of Assessment 2002 onwards, a partial tax exemption is granted on the first S$100,000 of chargeable income as follows: 75% up to the first S$10,000 of chargeable income and 50% on the next S$90,000. The partial tax exemption is not applicable to Singapore dividends, income subject to tax at the concessionary tax rate and income (such as interest, rent and royalty) derived by non-resident companies that is subject to a final withholding tax. A concessionary tax rate of 10% 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, offshore global trading, international art and antique dealers, cyber trading, finance and treasury centers and international headquarters award. Shipping enterprises transporting outbound passengers, mail, livestock or goods from Singapore are exempt from tax. For certain activities, approval needs to be sought before the concessionary tax rate can apply.

53 **South Africa** *(2004 rate = 37.8%)*: The corporate tax rate applicable to companies is currently 30%. However South Africa imposes an additional 'Secondary Tax on Companies' at the rate of 12.5% on any net dividends declared. The effect of this additional tax is that if a company distributes 100% of its retained earnings as a dividend, then an effective tax rate of 37.78% will apply. This does not apply to gold mining companies, which are taxed on a formula basis.

54 **Spain** *(2004 rate = 35%)*: Companies whose turnover (alone or together with Group companies) in the immediately preceding tax period was less than six million Euros are taxed at the rate of 30% on the part of the taxable income between 0 and € 90,151, and at the general tax rate of 35% for the rest of their taxable income.

Extraordinary profits: As from 1 January 2003, taxable income obtained on the disposal of fixed tangible and intangible assets as well as certain qualified interest in securities is taxed at a rate of 15% if the sale proceeds are reinvested. This reduced rate is obtained by deducting 20% of the taxable income obtained on the transfer from the gross tax due. Consequently, the application of the 20% tax credit may lead to an overall effective tax rate of 15%.

The following will be taxed at a rate of 25%:

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.
c) Credit and rural credit cooperatives.

- Tax protected cooperatives will be taxed at the rate of 20%, except in respect of results not related to their corporate purpose, which will be taxed at the general rate.
- Entities meeting the requirements to benefit from the special tax regime on Foundations and Tax Incentives for Private Participation in Activities of General Interest will be taxed at the rate of 10%.

55 **Sri Lanka** *(2004 rate = 35% Please note that the 2003 tax rate was used for 2004 reporting purposes for this country, as we have yet to receive the current rate)*: Corporate Income Tax, assessed for year of assessment commencing 1st April. If company has approval to use different year-end for tax purposes, the period must still relate to year of assessment (i.e. year ended 31 December 2002 will relate to year of assessment 2002/03). For year of assessment 1 April 2002 to 31 March 2003, the corporate income tax rates are as follows: Companies with taxable income of < Rs 5 Mn and Specialized Housing banks at 20% while others taxed at 35%. Listed companies are entitled to tax credit computed at 5% on statutory income from business. Priority sectors– i.e. Exports (other than traditional products), tourism, agriculture, and construction activity carried on by resident companies enjoy a concessionary tax rate of 15%. Remittance of profits by a non-resident company attracts a remittance tax of 33.33% (subject to a maximum of 11.11% of taxable income) in the fiscal year in which the remittance is made. Surcharge on income tax, advance corporation tax on dividends and tax on capital gains have been withdrawn with effect from 01st April 2002.
Proposals for the year of assessment 2003/04: taxable income > Rs. 5 Mn 30%. Remittance tax is 10% on profit remittance by non-resident companies. The 5% tax

credit available to quoted companies to be withdrawn. 50% of the tax savings from reduction in tax rate to be placed in a Human Resource Endowment Fund.

56 **Sweden** *(2004 rate = 28%)*: An optional provision for untaxed income is available. The provision must not exceed 25% of the tax base and must be dissolved within the following six years.

57 **Switzerland** *(2004 rate = 24.1%)*: The effective corporate tax rate comprises federal, cantonal and municipal taxes. The rate shown is applicable for a company in the city of Zurich. This rate is fairly typical for Switzerland. The effective tax rate, based on pre-tax income, is lower than the statutory rate and amounts to 24.1%. Some cantonal income tax rates are progressive, which is determined on the basis of the ratio of income to the company's equity.

58 **Taiwan** *(2004 rate = 25%)*: The corporate tax rate of 25% is the maximum rate in a progressive rate structure. The rate is applicable on income in excess of TW$100,000.

59 **Thailand** (*2004 rate = 30% Please note that the 2003 tax rate was used for 2004 reporting purposes for this country, as we have yet to receive the current rate*): The standard corporate tax rate on net taxable profits is 30%. A tax rate of 10% applies to the remittance of profits abroad. For small and medium enterprises ("SME") or companies with less than Baht 5 million paid up capital, the corporate tax rate is reduced to 20% on the first Baht 1 million of net taxable profits and 25% on the next Baht 2 million but not exceeding Baht 3 million. The corporate tax rate is also reduced to 20% or 25% for companies registered with the Stock Exchange of Thailand ("SET"), including the Market for Alternative Investment ("MAI") subject to certain conditions. Corporate tax exemptions are granted to companies promoted by Board of Investment ("BOI"), Asset Management Companies ("AMC"), and venture capital companies investing in SMEs subject to certain conditions. New corporate tax incentives were introduced in 2002 for Thai Regional Operating Headquarters ("ROH"). The corporate tax rate is reduced to 10% on qualifying ROH service income, royalties and interest and 0% on dividends received from associated enterprises. A corporate tax rate of 3% applies to gross income of companies engaged in international passenger transportation (subject to the effect of relevant double taxation treaties). A corporate tax rate of 10% applies to the net taxable profits of companies engaged in International Banking Facility. A petroleum tax rate of 50% applies to the net taxable profits of companies granted with a concession to explore for and produce petroleum. A corporate tax rate of 10% applies to gross income (reduced to 2% for certain types of income) of foundations and associations engaged in business activities.

60 **Turkey** *(2004 rate = 33%)*: Effective corporate tax rate for the FY 2004 is determined as 33%. Effective tax rate to be applied on corporate income for the year 2003 is 30%. The application of 10% surcharge over the computed tax has been abolished. However, for the FY 2004, corporate tax rate shall be applied at 33%. In Turkey, dividends are subject to income withholding tax upon declaration of dividends (except for dividends paid to resident corporations). The rate of withholding tax on dividends is 10 %.

61 **Ukraine** *(2004 rate = 25%)*: Starting from January 1, 2004 the basic corporate tax rate is 25%. Special tax rates may vary according to enterprise activities (e.g. a 3% tax rate is charged on insurance income earned by Ukrainian insurance companies). Tax incentives can reduce the rate below 25%. A 15% withholding tax is imposed on non-Ukrainian resident companies on income from Ukrainian sources. The withholding tax rate can be reduced based on a relevant double taxation agreement ratified by the Ukrainian parliament.

62 **United Kingdom** *(2004 rate = 30%)*: A nil rate applies to companies with taxable profits up to GBP 10,000, with marginal relief up to GBP 50,000. Companies with profits between GBP 50,000 and GBP 300,000 pay tax at a 19% rate. Marginal relief applies on profits up to GBP 1,500,000. All these limits are reduced where there are associated companies. These rates and limits are unchanged from 1 January 2003. From 1 April 2004, profits distributed to non-corporate shareholders will be charged at a minimum rate of 19% even where they would otherwise be taxed at a lower rate

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 in calculating the averages and ranges indicated above.

63 **United States** *(2004 rate = 40%)*: The federal tax rate is 35%. State and local income tax rates generally range from less than 1% to 12%. A corporation may deduct its state and local income tax expense when computing its federal taxable income, generally resulting in an effective rate of approximately 40%. The effective rate may vary significantly depending on the locality in which a corporation conducts business.

64 **Uruguay** *(2004 rate = 35%):* Corporate income tax is not deductible from taxable profits for the purposes of applying the 35% rate. The increase took place in May 31st, 2002 (article 3, Act 17502, of May 29, 2002). If the compliance of Uruguayan fiscal goals is reached by January 1st, 2004, the rate will be reduced to 30%.

65 **Venezuela** *(2004 rate = 34%)*: The effective tax rate depends on the application of investment tax credits for investments in fixed assets, which are currently 10% for corporations (except corporations in the hydrocarbons industries). Corporations engaged in the exploitation of hydrocarbons and related activities are generally subject to a 67.7% (50% starting in 2002) rate of tax on their income, including income from other sources. The rate indicated does not include municipal business taxes which apply at rates ranging from 0.3% - 9.4% of gross income, depending on the district and the business activity. VAT, corporate registration fees and a 1% business asset tax also apply.

66 **Vietnam** *(2004 rate = 28%)*: The 28% tax rate applies to resident foreign invested companies (including, joint ventures, 100% foreign-owned companies, and business co-operation contracts) licensed from 1 January 2004 and Vietnamese enterprises. However, incentive rates (10%, 15%, 20%) will apply to encourage projects and the previous default rate of 25% applies to foreign invested projects licensed before 1 January 2004. A 50% rate only applies to oil and gas exploration companies.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.