

PETERKA PARTNERS

THE CEE LAW FIRM

Permanent establishments (PEs)

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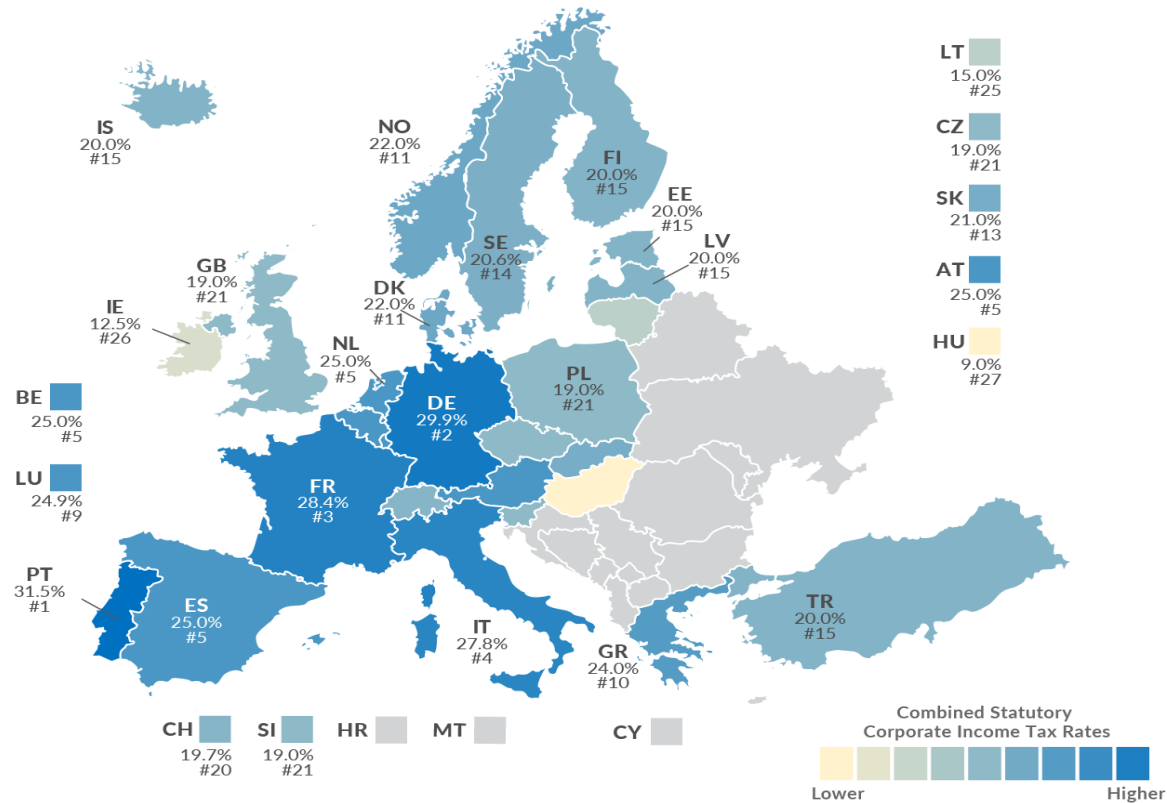
About PETERKA & PARTNERS

- Local expertise but regional approach in the CEE region
- 8 offices, 150 lawyers, 20 years of existence
- Client portfolio of more than 1,500 clients operating in CEE
- **Single point of entry & contact: 1 contact, 1 agreement, 1 invoice,** and all legal requirements of **8 countries (or more)** are met. With only **one designated contact person from PP**, our clients can manage all their **regional legal needs**.

Corporate income taxation overview

Corporate Income Tax Rates in Europe

Combined Statutory Corporate Income Tax Rates in European OECD Countries, 2022



Note Combined statutory corporate income tax rates include both central and subcentral corporate income tax rates.
Source: OECD, "Tax Database: Table II.1. Statutory corporate income tax rate;" and Bloomberg Tax, "Country Guide."

- Source: <https://taxfoundation.org/corporate-tax-rates-europe-2022/>

Preliminary remarks

- Which country has the right to tax the profits of a company?
 - General rule: taxation at the home country
 - Special rule: **permanent establishment - certain (CIT) taxable presence in another country**
- Why the correct assessment of a permanent establishment matters: tax shortfall and its consequences

When to check for permanent establishment (PE) risks?

- Presence without local corporate form, i.e. direct cross-border business (no subsidiary, etc.)
- Overview of an analysis:
 - Countries involved (is there a double tax treaty?)
 - Type of PE risks (level of risk, possible exceptions)
 - Material threat (amount)
 - Solution

I. Fixed place of business PEs

- Fixed place of business PEs
 - Fixed place at the disposal of the company
 - Degree of permanence
 - Business activity
- Sub-categories: construction projects, service provision
- Exceptions (preparatory, auxiliary activities)

II. Dependent agent PEs

- Dependent agent PEs
 - Doing business in the name of the company in another state
 - Habitually concludes contracts / plays a principal role leading thereto
 - Sale / granting the right to use the company's asset or provision of services
- Exceptions (preparatory, auxiliary activities; independent agent)

Certain timely topics

- Home office
- E-commerce (servers)

What to do if you have a PE (in Hungary)?

- Tax registration
- Tax obligations (tax returns, tax payment, etc.)



Thank you for your kind attention!

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