

Annex A – Farm Taxation

Annex A Part 1 - Austria

Income taxation

General rules: In Austria, personal income tax on their taxable income is paid not only by natural persons but also by “partnerships” (Personengesellschaft) without legal personality, namely KG (Kommanditgesellschaft) and OG (Offene Gesellschaft) entities. Their income is not subject to corporate tax, rather personal income tax is payable on the proportionate income calculated in view of the shareholding of the members in the company (Herich et al., 2016).

In Austria, the rules of personal income tax determines progressive tax bands, as shown in Annex A Part 1 (Table A A 1.1.)

Table A A 1.1. Income bands and related tax rates in Austrian personal income taxation

Taxable income	Rate of tax
EUR 0 - EUR 11,000	0%
EUR 11,001 - EUR 18,000	25%
EUR 18,001 - EUR 31,000	35%
EUR 31,000 - EUR 60,000	42%
EUR 60,001 - EUR 90,000	48%
EUR 90,000 - EUR 1,000,000	50%
Over EUR 10,000,000	55%

Source: Herich et al., 2016.

** up to 2020, when it is reduced to 50%*

The personal income tax rates are considered relatively high in international comparison, and for this reason, the Austrian government plans to reduce them.

Taxation of agricultural activities: Agricultural and forestry income includes revenues from primary production (agricultural, forestry, fishing and hunting). When establishing the income from agricultural and forestry activities, farmers may select one of the four methods depending on their size.

Table A A 1.2. Criteria of the various methods to establish income in Austrian agriculture

Criteria relating to size	Full flat rate	Partial flat rate	Income-cost records
Unit value	max. EUR 75,000 agricultural and forestry land cultivated independently	EUR 75,000 -130,000	max. EUR 150,000
Sales revenues	max. EUR 400,000	max. EUR 400,000	max. EUR 550,000
Other size features	max. 60 hectares cultivated area and max. 120 animal units, and max. 10 hectares intensive plantation	more than 60 hectares cultivated land or 120 animal units	
Administrative burden	none	Income recording	Recording of income and expenses (cash fund+bank) and recording of depreciation

Source: Prepared by the Financial and Technological Research of AKI, 2018.

a. Full flat rate

The farmers may use the full flat rate method to establish their income, where the unit value of the agricultural and forestry area cultivated by them do not exceed EUR 75,000, the area is not larger than 60 hectares, the livestock does not exceed 120 animal units and the area of the intensive plantation is 10 hectares (Annex A Part 1. Table A A 1.2).

The **initial flat rate unit value** for the purposes of establishing agricultural unit value is **EUR 2400/hectares**. It is adjusted for each holding by the local natural yield potentials characteristic of the facility - namely soil climate number (soil features and location, rate of inclination, climatic and aquatic conditions) and the locally characteristic economic yield potentials (regional economic conditions, distance of the cultivated area from the facility, the size and rate of inclination, plant size and other conditions, such as risk of hail damage, risk of draught) (Jankuné et al.).

If the farmer selected full flat rate taxation exceeds 31 December of the particular year the unit value threshold of EUR 75,000, the 60 hectares area threshold or the 120 animal unit threshold, such farmer may select partial flat rate taxation only.

If the farmer exceeds the income threshold of EUR 400,000 in two consecutive years, such farmer may not select the partial and full flat rate taxation in the next consecutive years for the purposes of establishing their income.²⁰⁵

Tax base of the flat rate tax

- In case of agricultural activities: the tax base is 42% of the applicable unit value.
- In case of a farm in the mountains: 70% of the proportionate number applicable to agricultural activities.

²⁰⁵ On the request of the farmer partial and full flat-rate can also be chose, if he can justify that he exceeded the income limit temporarily.

- Forestry: Up to value of EUR 11,000, 42% of the forestry value, over this amount, the flat rate cost portion must be deducted from recorded income (such flat rate cost portion is to be calculated in accordance with further rules).
- Horticulture: recorded income less flat rate cost corresponding to 70% of such income and wages (including fringe benefits).

If the activity of farmers is partly outside of agricultural activities, they also have the opportunity to pursue these activities to some extent as part of their agricultural and/or forestry activities, and thus they do not have to establish a separate enterprise for this purpose, which would be subject to a separate taxation. The tax base is established for income from these activities separately (Annex A Part 1. Table A A 1.3).

Secondary agricultural and forestry activities, processing, farm catering are - on account of their economic purpose - secondary to the principal agricultural and forestry activities. Income from these activities, for the purposes of calculating income as per full flat rate cost accounting is as follows:

- Verification of secondary nature of agricultural and forestry activities is not necessary, where more than 5 hectares of agricultural and forestry areas or more than 1 hectare horticultural and wine-producing areas are involved in production, and where income (incl. VAT) does not exceed EUR 33,000.
- Cooperation between farms (e.g. shared use of combine harvester, or bailer). Income from such activities does not exceed EUR 33,000 (incl. VAT). In case of higher subordination may be established if income does not exceed 25% of the total income. It is important to note that the income of EUR 33,000 earned from cooperation between plants is regarded separate from the income of EUR 33,000 earned from secondary activities.

Table A A 1.3: Calculation of profits in case of secondary activities that may be pursued in addition to agricultural and forestry activities

Type of activity	Activity	Is secondary activity included in the value threshold of EUR 33,000?	Calculation of profits
1	Rural neighbourly assistance/ Rental of equipment On ÖKL basis	No*	Flat rate
2	Room hire	No*	Up to 10 beds: I-C-IR ²⁰⁶ calculated with 50% and 30% flat rate method

²⁰⁶ Income is calculated under the Income-Costs-Invoice reg. (I-C-IR) method

3	Supplementary activity (service provided to non-farmers)	Yes	Accounting for I-C-IR, ÖKL-rate ²⁰⁷ as costs
	Supplementary activity (service provided to non-farmers)	Yes	I-C-IR, at 50% flat rate cost method Real values, if machinery costs are decisive.
	Direct sales	Yes	I-C-IR, at 70 % flat rate cost method
Part of primary activity	Slum portioning for consumption	No	I-C-IR, at 70 % flat rate cost method

Source: LK, 2015

- Income from the sale of **primary processed products** (and from farm catering) may not exceed EUR 33,000 (incl. VAT). Flat rate cost deduction is available up to 70% of the income. It may be assigned to agricultural and forest management income. Records of income and costs must be maintained compulsorily. Important: the sale of agricultural products is subject to a flat rate accounting of 42%.
- **Room hire:** Allowed up to 10 beds. In case of provision of accommodation with a breakfast, costs may be accounted as against 50% of the income - while in case of accommodation without a breakfast - as against 30% of the income.
- **Measure of must:** in case of a plantation, it is regarded as direct part of principal activities, rather than secondary activities. It is subject to a flat rate cost accounting up to 70% of income.

The tax base may be reduced by the amount of the paid social security contribution, interest on debts, paid rent (a maximum of 25% of the unit value of the rented areas may be deducted). Furthermore, 13% of the profits is tax free, and the tax base may be reduced by this amount, not exceeding however EUR 3.900 annually per person.

b. Partial flat rate

Farmers may establish the amount of their income in the partial flat rate method, where the unit value of the agricultural and forestry area cultivated by them exceeds EUR 75,000, not exceeding EUR 130,000, the area of the land exceeds 60 hectares, and the size of the livestock exceeds 120 animals (Annex F Part 1. Table A F 1.2). A further condition of selecting partial flat rate accounting method is that the farmer must select the contribution base option for the payment of the social security contribution. Partial flat rate method may be selected even in case of unit value of less than EUR 75,000, where the taxpayer agreed to a 5 year commitment, in addition to the option of paying tax.

Observance of the income threshold of EUR 400,000 is also a condition for the selection of this form of taxation. If the farmer exceeds the income threshold of EUR 400,000 in two consecutive years, such farmer may not select the partial flat rate taxation in the next consecutive years for the purposes of establishing their income.

²⁰⁷ The ÖKL rates are the standard average values established by the Austrian Curatorium of Agricultural Engineering and Land Development (Österreichischen Kuratoriums für Landtechnik und Landentwicklung), which is published each year, and which objectively serve fair settlements to be made as between farms.

* Taxes are charged according to personal income taxation, by the said income calculation method

Income (tax base):

- Income from agricultural activities are recognised in its real figure as shown in the records, of which 70% of costs may be deducted.
- In case of animal breeding - namely pigs, neat, sheep, goat, poultry - the flat rate cost portion is higher, and deduction of costs is available up to 80% of the income from animal breeding activities.
- Sales of second-hand machines (in case of modernisation of the machine stock), and compensation from insurance companies on account of damages buildings and machines (additional investments) need not be shown under income.
- In case of forestry activities, the flat rate cost is deducted from real income.
- Horticulture: recorded income less flat rate cost corresponding to 70% of such income and wages (including fringe benefits). Farmers providing supplies to resellers only may estimate their income according to the average numbers established in view of area size. In this case, there is a requirement in place, namely that sales to end-customers may not exceed EUR 2,000 annually.

Income from secondary agricultural and forestry activities, processing, farm catering is taken into account similarly to the full flat rate method. A difference lies in farm catering outside partial flat rate method being listed in type 3 activities, in which case farmers may account for costs up to 70% of income.

Farmers are required to maintain double bookkeeping²⁰⁸ where

- full annual revenue exceeds EUR 550,000 in two consecutive years or
- the agricultural and forestry unit value exceeded EUR 150,000 since 1 January²⁰⁹

Value added tax (VAT)²¹⁰

In Austria, the general VAT rate is 20%, with two preferential rates of 10% and 13%. Food products are generally subject to a VAT rate of 10%, just like in case of provision of water and restaurant services. As regards agricultural inputs, also a VAT rate of 10% applies generally, except for fodders for certain animals (neat, pigs, sheep, goat, poultry, etc.), and crop production as service, directly used for feeding animals, and artificial insemination. The latter is subject to a VAT rate of 13%. Wine directly sold from farms are subject to the higher VAT rate of 13%, while all other alcoholic beverages are subject to a VAT rate of 20%:

In Austria, the income threshold of tax exemption on account of taxpayer status is EUE 30,000. Flat rate accounting of VAT is available for agricultural and forestry plants up to income of EUR 400,000 and up to unit value of EUR 150,000, which is similar to the agricultural compensation surcharge.

²⁰⁸ At their request, farmers may continue to select the partial flat rate taxation, if they can verify that they passed the income thresholds on a temporary basis only. BGBl. Nr. 194/1961

²⁰⁹ BGBl. Nr. 194/1961 125 §

²¹⁰ Information in English: <https://www.expaticroatia.com/pdv-value-added-tax-in-croatia/>

Tax paid by capital companies and corporate tax

In Austria, only legal entities may be subject to corporate tax.

The rate of corporate tax in Austria is 25%. It is important to note that dividends paid by capital companies (GmbH) from their after-tax profit are subject to dividends tax (capital yield tax), at a rate of 27.5%. It means that the profits of such companies, when distributed in full as dividends, are taxed at 45.63% in total.

Sources of the regulation are in footnote²¹¹.

²¹¹ BGBl. Nr. 400/1988 über die Besteuerung des Einkommens natürlicher Personen (Einkommensteuergesetz) <https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=10004570>
BGBl. Nr. 149/1955 - Bundesgesetz vom 13. Juli 1955 über die Grundsteuer (Grundsteuergesetz 1955 – GrStG 1955).
<https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=10003845>
BGBl. Nr. 166/1960 - Bundesgesetz vom 14. Juli 1960 über die Abgabe von land- und forstwirtschaftlichen Betrieben (AbglufBG),
<https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=10003917>
BGBl. II Nr. 125/2013 Verordnung der Bundesministerin für Finanzen über die Aufstellung von Durchschnittssätzen für die Ermittlung des Gewinnes aus Land- und Forstwirtschaft (Land- und Forstwirtschaft-Pauschalierungsverordnung 2015 – LuF-PauschVO 2015) <https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=20008404>,
<https://www.finanz.at/steuern/lohnsteuertabelle/> Reichsgesetzblatt No. 70/1783#; Gesetz vom 9.4.1873 über Erwerbs- und Wirtschaftsgenossenschaften)

Annex A Part 2 - Croatia

OPG family farms may select from the following personal income tax regimes:

- **Non-taxpayer OPG:** as described above, OPGs with annual revenue from agricultural activities less than HRK 85,000 enjoy personal exemption. These farmers are obliged to maintain a simple record of their revenues. The record forms must bear the MIBPG ID number, the OIB number, the name of the agricultural facility (full name of the owner of the OPG family farm), and the date of product sale, the product type and quantity, to calculate the amount of the annual revenue.

- **OPG paying personal income tax:** OPGs maintaining bookkeeping records, in their capacity as natural persons liable to pay personal income tax on their agricultural income,

- if they are subject to VAT, or
- their income in the particular year exceeds HRK 85,000.

The rate of income tax (on income less deductible costs) - in accordance with the generally applicable rate - is 24% in case of income up to HRK 3,000 monthly or HRK 36,000 annually, and 36% on the portion exceeding this amount.

- **OPG paying flat rate personal income tax:** under the NN 1/2017 decree, the tax liability on independent agricultural activities may be determined on a flat rate basis (Pravilnik o paušalnom oporezivanju samostalnih djelatnosti), where the taxpayer

- is not subject to VAT according to VAT Act
- its income of the previous year does not exceed HRK 149,500.

The sum of the tax depends on the sum of the income, on a band basis (ass Annex A Part 2. Table A A 2.1).

Table A A 2.1: Annual, monthly tax base and tax liability depending on the sum of income, in case of flat rate taxation:

Unit: HRK

Annual turnover	Annual tax base	Annual tax liability	Monthly tax liability
0.00 – 85,000	12,750	1530	127.5
85,000 – 115,000	17250	2070	172.5
115,000 – 149,500	22,425	2,691	224.25

Source: OECD (2019)

In case of non-agricultural activities, flat rate taxation may be selected by enterprises with no legal personality. In these cases, the income threshold is higher, farms may earn a maximum of HRK 300,000, which is taxed in accordance with additional two tax bands in the table.

- **OPG family farms paying corporate tax:** OPGs (and also in Croatia enterprises with no legal personality) may request from the tax authority to allow them to pay corporate income tax rather than personal income tax. It is available with at least five years of commitment.

Over and above a certain size, the particular entity must switch to this taxation regime, where the annual profit exceeds HRK 3 million, or where any two of the following conditions are met:

- its income exceeded HRK 400,000 in the previous tax year;
- the value of its long-term assets exceeds HRK 2 million;
- it employed 15 or more employees in the previous tax year.

This type of OPGs maintain double entry bookkeeping, and submits annual reports. The rate of tax up to income of HRK 300,000 is 12%, or 18% on the portion over and above this sum.

In Croatia, income tax is considered as a shared tax, partly a central and partly a municipal (city/village) tax. The central tax is increased by the sum of the municipal tax, with a tax rate varying between 0-18%. (For example, in Zagreb, a tax rate of 18% applies).

Value added tax (VAT)²¹²

The general rate of VAT is 25%, and there are two preferential rates, at 13% and 5%, with certain products being exempt from VAT.

- The range of VAT-exempt products covers some eighty product categories, and the relevant list is contained in the annex to the tax law (Zakon o porezu na dodatak). Examples of VAT exempt products include education and renting of apartments. (Also exempt from VAT are land and real property purchases, which is however subject to a 4% transfer tax).
- **VAT of 5%** is applied to bread and similar products, including rolls and all dairy products and food used as supplement breast milk.
- **VAT of 13%** is applied to certain cultural programmes and events, agricultural inputs (e.g. Seedling, grains, fertilisers, insecticides, and other agrochemical products), dietary oils and greases, baby food, processed wheat food for babies and children, as well as to live animals (excepting pets), animal fodder, fresh or cooled fish, animal offal, crayfish and fresh and dried fruits, nuts, vegetables, bulbs including dried pulses and eggs.
- The **general rate of VAT is 25%**,²¹³ which is scheduled to be reduced to 24% by the Croatian government as from 2020.

Personal exemption from VAT according to the VAT Act (Zakon o porezu na dodanu vrijednost, 1451 NN73/2013; 2059 NN 106/2018) is available for small taxpayers (legal entities with a registered seat, permanent establishment in the country and natural persons with residence and residence permit), whose annual income from product sales or provision of services did not exceed HRK 300,000 in the previous calendar year. Exemption²¹⁴ from VAT is available in case of purchases of goods and services by charity, religious, patriot, philosophical or and other public benefit nonprofit organisations to the benefit of their members, provided that they do not affect market competition.

²¹² Information in English: <https://www.expaticroatia.com/pdv-value-added-tax-in-croatia/>

²¹³ Croatia earlier planned to reduce the standard sum of VAT from 1 January 2019. The date was delayed to 1 January 2020. https://www.tax-news.com/news/Croatia_To_Delay_VAT_Rate_Cut_Until_2020_86885.html

²¹⁴ https://www.cof.org/content/croatia#_end1#_end1

Annex A Part 3 - Croatia

A brief introduction of the Croatian tax system²¹⁵

Personal income tax

In Croatia, the rate of personal income tax in 2019 is 24% or 36% as in the previous year. However, income brackets have changed, the figure for the lower and upper bank has changed from HRK 210,000 to HRK 360,000, in other words, the tax liability has decreased.

Table A A 3.1: Personal income tax rates in Croatia (2019)

Income	Rate of tax
HRK 0-360,000	24%
HRK 360,000	36

Source: <http://taxsummaries.pwc.com/ID/Croatia-Individual-Taxes-on-personal-income#>

Corporate tax:

The rate of corporate tax is 18%, but small enterprises pay 12% corporate tax if their income is less than HRK 3,000,000.

Value added tax (VAT)²¹⁶

The general rate of VAT is 25%, and there are two preferential rates, at 13% and 5%, with certain products being exempt from VAT. The range of VAT-exempt products covers some eighty product categories, and the relevant list is in the annex of the tax act (Zakon o porezu na dodatak). Interesting examples for VAT-exempt products include: insurance and financial services, health-care services, education, apartment rental, and organisation of gambling (casinos and bookies). (Also exempt from VAT are land and real property purchases, which is however subject to a 4% transfer tax).

VAT of 5% is applied to bread and similar products, including rolls and all dairy products and food used as supplement breast milk.

VAT of 13% is applied to agricultural inputs (e.g. seedling, grains, fertilisers, insecticides, and other agrochemical products), hotel accommodation, provision of electricity, certain waste management services, oils and greases, baby food, processed wheat food for babies and children, as well as to live animals (excepting pets), animal fodder, fresh or cooled fish, animal

²¹⁵ Act on the payment of social security contributions: Zakon o izmjenama i dopunama Zakona o fiskalizaciji u prometu gotovinom NN 106/2018 <https://info-nik.info/2018/12/30/zakon-o-izmjenama-i-dopunama-zakona-o-doprinosima-nn-106-2018/>

Income tax Act: Zakon o porezu na dohodak <https://www.zakon.hr/z/85/Zakon-o-porezu-na-dohodak>

Act on the taxation of self-employed persons: Pravilnik o paušalnom oporezivanju samostalnih djelatnosti NN 1/2017: <http://www.poslovni-savjetnik.com/propisi/pravilnik-o-pausalnom-oporezivanju-samostalnih-djelatnosti-vazeci-tekst-nn-br-12017>

VAT Act: Zakon o porezu na dodanu vrijednost

<https://www.zakon.hr/z/1455/Zakon-o-porezu-na-dodanu-vrijednost> 1451 NN 73/2013; 2059 NN 106/2018

²¹⁶ Value Added Tax Act (on 1 January 1998)

<https://www.zakon.hr/z/1455/Zakon-o-porezu-na-dodanu-vrijednost>

Cnossen, S. (2018): VAT and agriculture: lessons from Europe

<https://link.springer.com/article/10.1007/s10797-017-9453-4>

offal, crayfish, and fresh and dried fruits, nuts, vegetables, bulbs including dried pulses, and eggs. Any other products not listed above are subject to a VAT of 25%²¹⁷.

In case of income exceeding HRK 300,000 annually, taxpayers may select exemption from VAT, which means that under this income, there is no obligation to pay VAT, and there is no right of deducting VAT either.

²¹⁷ The VAT rate was formerly scheduled to be reduced to 24% as from 1 January 2019. Later on, the effective date of VAT reduction was postponed to 1 January 2020. [https://www.tax-news.com/news/Croatia To Delay VAT Rate Cut Until 2020 86885.html](https://www.tax-news.com/news/Croatia%20To%20Delay%20VAT%20Rate%20Cut%20Until%202020%2086885.html)

Annex A Part 4 - Czech Republic

Corporate tax

Legal persons with seat in the Czech Republic are subject to corporate tax on all their income (including those earned outside the Czech Republic). The rate of corporate tax is 19%, and the tax liability is calculated in view of income less deductible costs.

Personal income tax²¹⁸

In the Czech Republic, taxpayers subject to personal income tax pay a 15% tax, and taxpayers with income 48 times the average income in a calendar year are to pay solidarity special tax at a rate of 7%.

Income from agricultural activities is subject to tax if it exceeds the annual sum of CZK 200,000. (Where agricultural activities are performed by an entrepreneur, this threshold does not apply, and all income is subject to tax).

In cases where the income of the natural person engaged in agricultural activities exceeds that threshold, such person may calculate his/her income, besides item-by-item recognition of incomes and costs, by way of flat rate taxation. Flat rate taxation may be selected in case of income up to CZK 1,000,000, where the flat rate cost accounting in relation to income from agricultural and craft item²¹⁹ sales is 80%, up to a sum of CZK 800,000²²⁰.

Value added tax (VAT)²²¹

In the Czech Republic, the general VAT rate is 21%, with two preferential rates of 10% and 15%. The 10% VAT is applied to certain baby foods, and gluten-free foods.

The 15% VAT is applied to among others to food (excepting those subject to a VAT of 10%), non-alcoholic drinks, restaurant food to go, provision of water and certain agricultural inputs.

Other agricultural and food industry products are subject to a VAT rate of 21%.

In the Czech Republic, VAT records are compulsorily maintained, if the turnover in goods exceeds CZK 1,000,000 (approx. EUR 36,977) in twelve consecutive months, in other words, this is the threshold for the availability of tax exemption on account of taxpayer's status.

In cases where the annual turnover of the taxpayer exceeds CZK 10,000,000, the VAT returns are to be submitted monthly, in cases where it is less than CZK 2,000,000, VAT returns are to be submitted quarterly.

²¹⁸ Zákon č. 586/1992 Sb. Zákon České národní rady o daních z příjmů, <https://www.zakonyprolidi.cz/cs/1992-586>,

²¹⁹ <https://www.financnisprava.cz/cs/dane/dane/dan-z-prijmu/fyzicke-osoby-poplatnik/podnikatel-osvc>

²²⁰ <https://www.mesec.cz/danovy-portal/dan-z-prijmu/pausalni-vydaje-zemedelci/>

²²¹ Zákon č. 235/2004 Sb. Zákon o dani z přidané hodnoty, <https://www.zakonyprolidi.cz/cs/2004-235>

Annex A Part 5 - Hungary

Agricultural activities may also be pursued in **individual entrepreneur status**. Individual entrepreneurs may select from a number of tax methods, depending on their revenue.

- Under personal income taxation, flat rate taxation may be selected up to income of HUF 15 million, in which case costs may be deducted from the sum of income at a flat rate of 40%, while in case of income from the production of agricultural products only, this deductible flat rate is 80%. The outstanding balance constitutes the tax base.
- Another option lies also in personal income taxation by the entrepreneurs paying personal income tax, in other words, the tax liability is calculated by deducting the costs from entrepreneurial revenue, and taking the balance as tax base.

Tax options available for sole traders **outside of the personal income tax regime** (with simplified administration, and calculable taxing):

- **Simplified entrepreneurial tax (EVA)**: this tax option may be selected up to income of HUF 30 million, and the tax liability equals 37% of the revenue (tax base). There is no obligation of maintaining records when selecting this type of tax. (EVA taxation is available until the end of 2019.
- **Lump sum taxation for small-scale taxpayer enterprises (KATA)**: this tax option may be selected up to revenue of HUF 12 million, and the tax liability is HUF 50,000 monthly (HUF 600,000 annually) irrespective of the sum of income in case of full-time entrepreneurs, and HUF 25,000 (HUF 300,000 annually) in case of part-time entrepreneurs. If the taxpayer wishes to have a higher fund base for their pension, they may choose to pay HUF 75,000 per month (HUF 900,000 annually) as lump sum tax. The KATA tax option is available also for limited partnerships and general partnerships.

Corporate tax

Annual income are calculated by using the single or more often by the double entry bookkeeping. The regulations motivate taxpayers to pay a certain amount of expected tax. If the higher of the pre-tax profits or the tax base calculated by using the general rules is less than the minimal sum of income (profit), that is, 2% of sales revenues, the taxpayer may choose whether to take the minimum amount of the revenue (profit) as tax base, or make a declaration in its tax return that it will pay its taxes in accordance with the general rules. The sum of the tax is payable by enterprises with sales revenue exceeding HUF 100 million in two instalments: by 20 December, an estimate must be made as to the sum of the tax payable in the tax year and this tax must also be paid, and any outstanding balance must be paid concurrently with the submission of the final tax return.

Value added tax

In Hungary, taxpayers engaged in agricultural activities may select a special form of taxation. It means that taxpayers who has special agricultural status charge no VAT in their invoices, and no VAT is deducted from them, either, and they are not obliged to file VAT returns. In return, they may receive compensation over and above the price of the product (named VAT

compensation), at a rate of 12% in case of plant products or products made from plants, and at a rate of 7% in case of products made from animals.

Annex A Part 6 - Poland

The rules of calculating agricultural tax

The tax base (hectare equivalent) is determined in accordance with the following three criteria:

- tax district (I-IV) to which the land belongs (based on economic, production and climatic circumstances)
- type of agricultural land (arable land, grassy areas and pastures), and
- quality of the agricultural land (I., II., III.a, III. etc).

The tax payable on the utilised agricultural land equals the price of 2,5 quintal rye,²²² while in case of other areas, the price of 500 kg rye (based on the average purchase price in the previous tax year (Article 6)).

The legislator provides exemption from tax based on agricultural activities, for example:

- on agricultural lands belongs to classes V, VI ad VIz.
- on forests and shrubby areas established in land used for agricultural purposes;
- on lands allocated for a new agricultural facility or for the extension of an area already in use, not exceeding 100 hectares;
- on cultivation of uncultivated area, for a period of five years from such development
- channelled/drainage lands used for agricultural purposes, where the crop has died out on account of the water drainage works.

Investment tax credit is also available in the taxation of agriculture in case of the following costs/developments: construction and modernisation of buildings for animal breeding, purchase of irrigation systems, water drainage equipment and for the production of **energy from renewable sources**. This tax credit may be claimed on completion of the construction project, and may be deducted from the agricultural tax at a rate of 25% of the documented value of the construction project. This kind of tax credit is available for a **period of 15 years** at the most.

Other tax credits under the Act on agricultural tax include:

- **30% reduction of tax** in class I-IIIb areas in cities at the foot of mountains and hills; and
- **30% reduction of tax** in class IVa-IVb areas (Article 13 and 13b of Act dated 15 November 1984) (Mielczarek, 2017).

Personal income tax

Personal income tax is governed by Act of 26 July 1991 on personal income tax.

²²² 1 quintal = 100 kg

Income types subject to personal income tax:

- Income from employment
- Income from independent activities
- Other non-agricultural income
- Income from leasing or rent schemes
- Income from rights in and to assets
- Income from sales of tangible or intangible assets - other incomes

Table A A 5.1 Rate of personal income tax:

Taxable income (PLN)	Rate of tax
0 – 85,528	18%
85,528	15,395.04 PLN + 32%

Source: <https://home.kpmg/xx/en/home/insights/2011/12/poland-income-tax.html>

Private entrepreneurs also pay their taxes in accordance with the above bands, or they may seek to apply the 19% lineal tax rate.

Article 2 of the Personal Income Tax Act provides that its provisions are not applicable to income from agricultural activities, excepting special agricultural sectors. For this reason, income from agricultural activities is not subject to taxation, excepting special agricultural sectors.

Special agricultural sectors include among others:

- Plants grown in heated and unheated greenhouses with an area exceeding 25 square meters;
- Plants grown in a heated polytunnel exceeding 50 square meters;
- Production of mushroom in a cultivated area exceeding 25 square meters;
- Poultry for slaughtering, over 100 animals (chicken, goose, ducks, turkeys);
- Large poultry for egg production, over 80 animals
- Furred animals (e.g. fox and chinchilla, and rabbit in case of more than 50 female parent animals);
- Laboratory animals;
- silkworm;
- Honey bee families, if more than 80 colonies;
- Production based on geothermal heating;
- Animal breeding (breeding more than 5 cows, more than 10 oxen, more than 10 cattle for slaughtering, more than 50 pigs for fattening, excepting fattened animals, more than 50 pigs, more than 15 sheep for fattening, more than 15 fattening sheep, horse for slaughtering, breeding animals or aquarium fish in an aquarium larger than 700 litres, registered dogs or cats).

There are a number of tax credits available in relation to personal income tax (Article 21 of Act of 16 July 1991), of which the most important ones are exemptions from tax for the agricultural sector (Mielczarek, 2017):

- income from the sale of an agricultural plant in part or in full (this exemption does not apply to sale of lands that are removed from their agricultural classification) and
- income from letting out rooms and from catering in **agro tourism** (subject to a cap of 5 rooms for accommodation);
- **subsidies**, secondary payments, and other benefits received from the state budget, government agencies, local municipality units or international organisations in relation to agricultural activities, and
- **income from the sale of plant or animal products**, from own production or animal breeding by the taxpayer (provided that they do not fall under the above special agricultural sectors),
- **processed products**, where crops are processed, and procession of milk, slaughtering of animals for slaughtering, processing and curing of cut meat (cutting, splitting and classification).

The latter two activities are deemed tax exempt where income therefrom does not exceed PLN 40,000. In case of income over this threshold, personal income tax is payable at a rate of 2%.

Corporate tax

The rate of corporate tax is generally 19%. Corporate tax is not applicable to agricultural activities, except special agricultural activities as described above²²³. (Janczukowicz 2015: 346).

Other taxes:

Polish farmers pay the following taxes in addition to property tax: those relating to agriculture, forestry, transport vehicles and civil law transactions (Pawłowska-Tyszko 2013: 119).

Value added tax²²⁴

Currently, the rate of VAT is generally 23%, with two preferential rates of 8% and 5%.

The preferential rate of 8% applies among others to certain food products (primarily processed food products, such as sugar, soups and sauces), provision of water, certain agricultural, forestry service provision, inputs, catering and restaurant catering, excepting beverages.

The preferential rate of 5% applies among others to certain food products, juice, dietary products, meat, poultry meat and fish.

The rate of 0% applies among others to exports, intra-community product sales, international services.

²²³ https://www.paih.gov.pl/polish_law/taxation/cit, and Article 2 of Act of 15 February 1992

²²⁴ Ustawa z dnia 8 stycznia 1993 r. o podatku od towarów i usług oraz o podatku akcyzowym, <http://prawo.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=WDU19930110050>

In Poland, no VAT group status may be established for VAT purposes.

Annex A Part 7 - Romania

Personal income tax

Personal income tax in relation to agricultural activities is payable on the following cases:

- a) production of crops
- b) cultivation of grape plantations, fruit gardens and fruit trees;
- c) animal breeding, including primary animal products.

No tax liability in relation to agricultural activities, if the income is from products collected in the wild, and if the activities are performed in areas less than 0.2 hectares (production of vegetables) or 2 hectares (e.g. Wheat, potato, herb and aromatic plants), or in case of animal breeding, the following thresholds:

- Apiculture 75 families;
- Pigs for fattening, 6 animals;
- Poultry, 100 animals;
- Sheep and goat 50 and 25 animals respectively;
- Bison, neat 2 animals.

Income from agricultural activities is taxed in accordance with predefined income standards, which **varies in each county**, and are defined annually (the example for Bihar country is set out in Annex A Part 6 Table A A 6.1).

The tax base is calculated as a produce of the income norms and the area measurement. If agricultural activities are performed by a number of natural persons jointly, the tax base is allocated between them equally.

Table A A 6.1 Examples on the income standards relating to agricultural activities in Bihar county in 2019

Agricultural activities	Income standard (RON/hectares or RON/piece v. bee family)
Cereals	235
Production of vegetables	1700
Fruit trees	1305
Grape plantations	980
Herbs and aromatic plants	4000
Neat	210
Sheep/ goat	21, / 20
Pigs for fattening	30
Bees	10
Poultry	2

Source: *Prepared on the basis of*
https://static.anaf.ro/static/10/Anaf/AsistentContribuabili/NormeAgricole2019/Bihor_NA_2019.pdf by the
 Department of Financial and Technological Research of NAIK AKI

The calculated tax may be reduced depending on the number of dependent family members in the household, and tax credits are also available on income less than RON 3,000.

The rate of personal income tax was reduced to 10% as from 1 January 2018 in relation to agricultural activities (Article 64). Concurrently with this reduction, the social security burden has increased to the same extent²²⁵.

Corporate tax and micro-corporate tax

The current rate of corporate tax is 16%, and micro-enterprises may select to pay micro-corporate tax in the stead of corporate tax. A company is deemed as a micro-company if its annual sales revenue does not exceed EUR 100,000, and no state or municipal shareholders are among the owners. (Herich at. al, 2016)

The tax base of the micro-corporate tax corresponds to the net sales revenues, and is charged at the following rates:

- In case of more than 2 employees, 1%;
- In case of 1 employee, 2%;
- In case of no employee, 3%.

Land tax (Articles 463-467)

Each natural person owning land in Romania must pay land tax. Land tax is a local tax payable to the municipality of the particular town, village or part of town. Land tax is payable also on agricultural lands. The law makes distinction between lands located within and outside towns (Article 465). An annual RON 42-50 is payable on arable lands, RON 20-28 is payable on meadows and pastures and RON 48-56 is payable on grape or fruit plantations depending on the classification of the area.

Value added tax

Currently, the rate of VAT is generally 19 %, with two preferential rates of 9% and 5%. The preferential rate of 9% is applied in the following cases:

- Food products, alcohol-free drinks, dietary supplements and animal food;
- Provision of accommodation;
- Provision of drinking and agricultural water;
- Catering services (excepting alcoholic beverages);

Taxpayers with annual registered or realised sales revenue less than RON 2.25 million may select tax exemption on account of their status, and may also select standard way of taxation. Newly started enterprises likewise may select tax exemption on account of their status, if they declare that their estimated sales revenue will not exceed the said threshold (Article 282).

²²⁵ www.ado.hu (2018)

Annex A Part 8 - Slovakia

In Slovakia, the taxation of natural and legal persons is governed by Act No. 595/2003 on personal income tax²²⁶.

Personal income tax

As regards natural persons, the effective Personal Income Tax Act lists a total of four taxable income types:

- income from non-independent activities (wages and salaries) (Article 5);
- income from enterprises, income from other independent activities and from letting out a real property (Article 6);
- income from capital (Article 5);
- other income (Article 8).

From the list above, income from enterprises covers:

- income from agricultural activities, forestry and aquatic management;
- income from (sole) trading activities performed under an industrial licence;
- income from entrepreneurial activities performed under a separate law (e.g. lawyer, notary public, GP)
- income earned by a partner of a general partnership or a majority owner in a limited partnership.

Private entrepreneurs and other natural persons engaged in independent activities may establish their tax base in two ways.

- if they account expenses supported by appropriate documentation as against their taxable income, they are to maintain bookkeeping.
- Taxpayers not subject to VAT may deduct a 60% expense portion as against their income, up to EUR 2,000 annually (EUR 240 monthly) (Article 6).

Rate of personal income tax:

- 19% on the portion of the annual combined tax base that does not exceed the then current subsistence level times 176.8.
- 25% on the portion of the annual combined tax base that exceeds the then current subsistence level times 176.8.
- Special tax of 5% - from the income from the employment of the President of the Slovak Republic, the Members of the Slovak Parliament, the Members of the Slovak Government Office, the President and Vice-President of the Slovak Supreme Audit Office.
- 19% on income from capital.

²²⁶ Zákon č. 595/2003 Z. z. Zákon o dani z príjmov <https://www.zakonypreludi.sk/zz/2003-595>

Table A A 7.1 Personal income tax rates in Slovakia

Income (EUR)	Rate of tax
- 37,163.36 (176.8 times subsistence level; 210.2*176.8)	19%
37,163.36	25%

Source: calculation by author in reliance on: <https://www.zakonypreludi.sk/zz/2003-595>

Article 9 of the Slovak Personal Income Tax Act provides a number of **exemptions** from personal income tax relating to natural persons, including among others:

income less than EUR 500 is not taxable if the income is from letting out property, **temporary work, or temporary agricultural, forestry or water management activities** and from temporary letting out of tangible assets;

Tax exemptions

The Personal Income Tax Act has introduced the term of **untaxed income** in relation to natural persons. It means that natural persons may reduce their active income by EUR 4,035.84 annually, however income from employment or enterprise may not be reduced this way. Where the annual tax base for 2019 is EUR 37,163.36 or more, the general tax-exempt band reduces to zero.

The Slovak Tax Act introduced the term of tax bonus in 2004. Taxpayers with income of at least six times the minimal wage may reclaim tax in the sum of EUR 256.92 annually on each dependent child.

Corporate tax

The current rate of corporate tax is rather high, at 21%.

Value added tax²²⁷

The rate of VAT in Slovakia is currently 20%, with a preferential rate of 10%. The preferential rate is applied to medicines, equipment supporting people with handicaps, provision of accommodation, and certain food products (e.g. meat, fish, milk, cream, butter and bread). Social enterprises registered after 1 January 2019 may sell their products at a preferential VAT rate of 10%.

VAT exempt activities include in particular: health care services, social care, educational and training services, other services based on membership, cultural services other than for commercial purposes, fundraising, sale of real property (where it is sold 5 years after the occupancy permit for the building is issued), letting out of real property.

Taxpayers with seat or permanent establishment in Slovakia are compulsorily registered for VAT subject to sales revenues of EUR 49,790 in the past consecutive 12 months. In case of foreign companies, the threshold is EUR 35,000.

²²⁷ Zákon č. 222/2004 Z. z. Zákon o dani z pridanej hodnoty <https://www.zakonypreludi.sk/zz/2004-222>

Annex A Part 9 - Slovenia

Personal income tax

The Slovenes Personal Income Tax Act²²⁸ lists six categories for the various income types:

- income from employment,
- Business income,
- Core agricultural and forestry income;
- Income from rent and royalties;
- Capital income (interest, dividends, and capital yield) and
- Other income.

Table A A 8.1 Slovenian personal income tax bands, 2019

Tax base (EUR)	Rate of VAT
- 8,021.34	16%
8021.34 – 20400	EUR 1283.41 + 27% of the income over EUR 8021.34
20400 – 48000	EUR 4625.62 + 34% of the income over EUR 20400
48000 – 70907.2	EUR 14009.65 + 39% of the income over EUR 48000
70907.2	EUR 22943.46 + 50% of the income over EUR 70907.2

Source:

https://www.racunovodja.com/clanki.asp?clanek=10467/Lestvica_za_odmero_dohodnine_in_olaj%9Aave_za_let_2019

The first income category covers income from **employment**, that is, wages and salaries, including fringe benefits, pensions and income from temporary work.

The second income category covers business income from **independent** activities by a private person (e.g. entrepreneur activities, activities associated with agriculture or forestry, professional activities or other independent activities).

The third income category covers income from core **agricultural and forestry activities**, based on agriculture and forestry, relying on the use of agricultural and forest areas. The tax base is determined by estimation of the income, which also covers income from agriculture and forestry, for example subsidies and other income from state subsidies. Income is usually determined based on cadastral income, excepting apiary, in which case income is determined on the basis of the number of beehives. Cadastral income is calculated as set forth in a separate law²²⁹.

Income from sale of products made from materials produced in primary processing agricultural and forestry produces (slaughtered animals, sour and other milling products, butter, cream, sour milk, buttermilk, whey, yoghurt, fermented milk, cottage cheese and other cheese, without

²²⁸ Personal Income Tax Act Zakon o dohodnini (ZDoh-2) <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4697>

²²⁹ Cadastral income is calculated according to Uredba o določitvi lestvic katastrskega dohodka, pavšalne ocene dohodka na čebelji panj in območij posebnih režimov za kmetovanje in gospodarjenje z gozdovi za obdobje 2017–2019, <http://www.pisrs.si/Pis.web/pregledPredpisa?id=URED7922>

any additives, dried and other cured fruit and vegetables, fruit and wine slum, fruit wine, fruit and vegetable juice and syrup, fruit and wine vinegar, dietary oils, except olive oil) may not exceed EUR 3,500 annually per plant. In this case, small quantity processing is registered as secondary activities, and under the separate registration of the financial authority this processing operation is exempt from tax. Income not exceeding EUR 3,500 does not increase the tax base, and they are subject to the core cadastral income²³⁰.

Pursuant to Article 26 of ZDoh-2, income is not subject to income tax in the following cases:

- income from provision of agricultural and forestry services by agricultural and forestry machinery in the machine pool.

The fourth category covers income from **rent** and royalties, the fifth category covers capital income, the sixth category covers other income, and covers income not falling within the first five income categories (that is, prizes, gifts, awards, certain grants, voluntary work, etc.).

Private entrepreneurs shall maintain their bookkeeping according to the rules of single-entry bookkeeping, if in the year preceding the business year, such trader has not fulfilled more than two of the following conditions:

- The average number of employees does not exceed three;
- Annual income is less than EUR 42,000;
- The value of its assets (average of annual opening and closing balance) is less than EUR 25,000.

Corporate tax

The rate of corporate tax is 19%, payable on the taxable income earned by privately owned companies. A special 0% rate tax is applicable to investment funds, pension funds and insurance activities relating pension funds. Taxpayers with income not exceeding EUR 50,000 (or EUR 100,000 if employing at least one employee full time for at least five months) may elect to deduct expenses on a flat rate basis up to 80% of the annual income.

Exceptions are available for charity organisations, associations and similar organisations from the payment of corporate tax.

Value-added tax²³¹

In Slovenia, two VAT rates are in place, with the rate of 22% being the standard rate, coupled with a preferential VAT rate of 9.5%.

The preferential VAT rate is applicable to food products, restaurants (only food preparation), accommodation, refreshments, cut flowers and plants for decoration and for the production of food.

In addition to the foregoing, VAT exemption is also available, among others, in relation to social services, education, certain non-profit activities, sports activities and donations.

The Slovenian VAT Act provides a special option in relation to VAT, in certain cases, namely:

- Enterprises and private entrepreneurs are exempt from paying VAT, if in the previous 12 months (other than calendar year) their income is less or is certain to be less than EUR 50,000 (Article 94 of VAT Act/Zakon o DDV 94. člen).

²³⁰ https://www.kgzs.si/uploads/dokumenti/strokovna_gradiva/dohodnina_2019_za_web_kgzs_28feb19.pdf

²³¹ Zakon o davku na dodano vrednost (ZDDV-1), <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO4701>

- Exemption from paying VAT is also available for those engaged in agricultural activities, if the combined cadastral income calculated for all members of the farm is less than EUR 7500 in the past calendar year (Article 94 of VAT Act/Zakon o DDV 94. člen). These farmers are entitled to receive compensation for their sales of agricultural and forestry products, equalling 8% of the sales price.