

Appendix to Accompany:

Are Multinational Corporate Tax Rules More Important Than Tax Rates?

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Tax Characteristics by EU Country

2005-2007

Country	Average STR	Average CETR	Accelerated Depreciation?	LIFO or Other Favorable Inventory Method Allowed?	Favorable Tax Treatment for R&D?
<i>Austria</i>	0.2500	0.2196	Only the straight-line method is permitted	LCM(Lower of cost or market); LIFO/ FIFO	Research and development costs are fully deductible at the time they accrue
<i>Belgium</i>	0.3300	0.2548	Straight-line method and the double-declining method permitted	Individualization of the price of each item, method of the weighted average prices, LIFO method and FIFO method: all these methods are accepted for tax purposes.	N/A
<i>Cyprus</i>	.1000	0.1114	Only the straight-line method is permitted	LCM; LIFO/ FIFO	N/A
<i>Czech Republic</i>	0.2467	0.2573	Methods of tax depreciation are prescribed by tax legislation; these methods are independent from depreciation for accounting purposes	Valued at cost; average cost and FIFO methods are allowed; LIFO and the replacement-cost method cannot be used	Costs (salaries, depreciation of assets, etc. ...) incurred by a tax payer on research and development projects can be deducted twice for tax purposes
<i>Germany</i>	0.2500	0.2832	The straight-line method is permitted; the declining balance	Valued at the lowest of actual cost, replacement cost and net	No

			method is not available for assets acquired in 2008	realizable value; LIFO/ average method accepted ; theoretically, FIFO is unacceptable	
<i>Denmark</i>	0.2700	0.2202	Tax depreciation need not be in conformity with book depreciation; the declining balance method is allowed	N/A	N/A
<i>Spain</i>	0.3417	0.2454	The straight-line method over the useful life is normally used	Valued at cost; average cost and FIFO methods are allowed	Tax Credit for R&D costs (25%-42%) and investments (8%) will be eliminated by 2012
<i>Estonia</i>	.2250	0.1789	No adjustment of accounting profits for tax purposes	N/A	N/A
<i>France</i>	0.3406	0.2946	A declining-balance depreciation is allowed concerning certain new and renovated assets whose useful life is more than 3 years	LCM; FIFO& the average-cost method allowed; LIFO disallowed	N/A
<i>United Kingdom</i>	0.3000	0.2107	The straight-line method is permitted	LCM; FIFO& the average-cost method allowed; LIFO disallowed	A deduction of the qualifying expenditure on R&D can also be claimed
<i>Greece</i>	0.2867	0.2830	Straight-line method and the double-declining	LCM; FIFO method allowed	N/A

			methods permitted		
<i>Hungary</i>	0.1600	0.1242	Cannot be depreciated either for accounting or tax purposes	Valued at cost; average cost and FIFO methods are allowed	Tax base allowance is applicable regarding R&D activities
<i>Ireland</i>	0.1250	0.1471	Book depreciation is not deductible for tax purposes/ Straight-line method	LCM; FIFO method allowed; LIFO disallowed	Incremental R&D expenditure (over a base year of 2003) qualifies for a tax credit
<i>Italy</i>	0.3300	0.3813	Maximum depreciation rates of fixed material assets apply	FIFO/ average cost/ LIFO method allowed	N/A
<i>Lithuania</i>	.2000	0.2872	Straight-line, production depreciation method or a double-declining-balance depreciation method allowed; depreciation may not exceed maximum rates established by law	FIFO/ average cost/ LIFO method allowed	N/A
<i>Luxembourg</i>	0.2200	0.2222	The straight-line method is normally used	LCM; FIFO/ average cost/ LIFO method allowed	N/A
<i>Netherlands</i>	0.2887	0.2413	Straight-line, production depreciation method, or a double-declining-balance depreciation method allowed	N/A	N/A
<i>Poland</i>	0.1900	0.1948	Depreciation	Standard cost;	N/A

			allowances are calculated based on the straight-line method and the maximum rates provided in the CIT Law	FIFO/ average cost/ LIFO method allowed	
<i>Portugal</i>	0.2500	0.1913	Straight-line or a double-declining-balance depreciation method allowed	Valued at cost; average cost and FIFO methods are allowed; LIFO method cannot be used	Eligible expenses incurred with R&D, deductible
<i>Romania</i>	.1600	0.0908	Assets are generally depreciated using the straight-line method; double-declining-balance depreciation method allowed	Standard cost, detail sale price, average (weighted) cost, FIFO, and LIFO allowed	Companies can benefit from an additional deduction of 20% from the eligible expenses in respect of the research and development activities
<i>Slovakia</i>	0.1900	0.2076	Straight-line or a double-declining-balance depreciation method allowed	N/A	N/A
<i>Slovenia</i>	.2200	0.1634	Eight depreciation groups with maximum annual depreciation rates for each; depreciation charges in excess of these rates are not tax deductible in the period	N/A	A 20% investment allowance is granted for investment into research and development within the tax period

<i>Sweden</i>	0.2800	0.2345	Maximum annual depreciation rates for each asset groups; accelerated depreciation of machinery and equipment—30% of declining balance	LCM; FIFO method allowed/ LIFO disallowed	N/A
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N/A: unable to determine from English versions of law