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Beyond the Horizon

Taxation of renewable energy – 2025

A country overview
4th Edition

May 2025

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Introduction

We are delighted to introduce the fourth edition of our publication, now titled "Taxation of Renewable Energy," formerly known as "Taxation of Wind Power". This comprehensive edition extends its focus beyond just onshore and offshore wind power production to include solar power, geothermal energy, and other renewable energy sources. As a result, this report now provides an overview of taxation across the renewable energy sector, which has prompted the change in its title.

The report has been expanded to include 12 additional countries and territories, increasing the total coverage to 52. These regions represent significant contributors to global renewable energy production.

The International Energy Agency (IEA) projects that global solar production will triple between 2023 and 2030, while wind power production is anticipated to double. Consequently, the total share of renewable energy in the global energy mix is expected to rise to over two-thirds of total energy generation.

This report intends to present a brief country overview of taxation of renewable energy sources.

In many countries, renewable energy production is subject to standard corporate income tax (CIT) rates, which range from 12.5% in Ireland to as high as 35% in Argentina and India. Generally, most countries impose CIT on renewable energy production within the 20% to 30% range. It's important to note that applicable tax rates vary due to local regulations, so please refer to the relevant country sections for specific details.

Norway distinguishes itself by implementing a Resource Rent Tax, which imposes an additional 45% on hydro power and 25% on onshore wind. This leads to effective tax rates of 67% and 47%, respectively.

Several countries have introduced incentive schemes such as accelerated tax depreciation for wind power assets, leading to increased profitability for wind power producers. The main incentive behind such rules is to increase renewable energy production and to speed up the transition from fossil energy to green power production.

Compensating local municipalities through local taxes is an effective strategy to gain their support for the construction and operation of renewable energy facilities. This is typically achieved by imposing property taxes.

We extend our gratitude to all the reporting countries and the Global ENR team for their valuable input and market insights

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Headwinds and tailwinds for the global wind power market

Onshore and offshore wind generation continued to grow significantly across all global markets in 2024. Highlights include:

- Record breaking 117GW of new wind energy capacity added during 2024 (109 GW from onshore with the balance from offshore wind)pushing global wind capacity to 1,136 GW
- China led the way with new installations followed by US, Germany, India and Brazil with wind turbines installed in 55 different countries
- Combined with other renewables, wind contributed to 47%of the EU's total electricity generation

While this represents impressive growth with 2025 projected to surpass 2024 levels, the reality is that the world is a long way off meeting the Global ambition agreed at COP 28 in Dubai to triple renewable energy capacity from 2023 to 2030(required in order for the world to remain aligned to the Paris Climate Agreement). This is the reality notwithstanding the fact that wind power is now significantly cheaper than fossil fuels in many parts of the world. In fact renewables were only 14.6% of total energy consumption by the end of 2023

https://assets.kpmg.com/content/dam/kpmg/pe/Campa%C3%B1as-2025/enero/Statistical-Review-of-World-Energy.pdf

This is because there are several barriers which are preventing scaling to meet the global ambition as follows:

- Complex and prolonged permitting processes
- Lack of grid infrastructure
- Supply chain challenges
- Cost of capital

Source: GWEC's Global Wind Report 2024 - https://www.gwec.net/

In particular the offshore wind sector is experiencing a turbulent journey and we have witnessed a significant slow down in a number of markets.

However, there are also several important wider developments which will have a significant impact on the growth of the global renewable energy industry:

Climate change agenda

Climate change remains one of the top global risks in the world today and is a major area of focus for Governments in terms of energy policies and also for the corporate sector. Some challenges have arisen, including the decision by the US administration to leave the Paris agreement and the relaxation of reporting requirements in the EU on the Corporate Sustainability Reporting Directive. However, Governments and private organizations are increasingly recognizing the reality of risk and are taking appropriate adaptation and mitigation measures. Renewable energy is one of the most effective solutions in helping to eliminate indirect emissions from energy use and supply chain. There is now a significant push towards the decarbonization of hard-to-abate sectors like steel, cement, and aviation, and renewables have a key role to play in these efforts. In some ways, the relaxation of reporting requirements will allow corporations to focus more on implementing effective measures. For these reasons, climate change will continue to be a key factor driving exponential growth in renewable capacity.

Energy security and independence

As a result of several recent geopolitical developments, not least the war in Ukraine, Governments are now increasingly focused on both energy, security and energy independence. Given the price point of many renewable technologies, and the fact that renewables is mostly geography agnostic, I believe this bodes well for the future of renewables as Governments will increasingly start to make the connection with scaling renewables and energy security and independence.

Role of Artificial Intelligence

AI's rapid growth and energy demand are transforming the energy landscape for the better and could help decarbonize global energy systems. As data centers and AI factories increasingly demand clean energy, this presents an exciting opportunity to rapidly scale renewable energy infrastructure, boosting both economic growth and energy security. These innovations could lead to more efficient energy use and lower costs for everyone. Failure to provide sufficient clean energy will significantly hinder AI's growth potential. Governments now recognize this connection, and I believe they will increasingly focus on removing barriers related to planning/permitting, grid expansion, and off grid solutions in order to capture the wider economic benefits that AI presents

My personal view is that all of these developments will have a positive impact on the global renewable energy sector and will play a critical role in helping the world to meet the COP 28 pledge of tripling renewable energy capacity.

Tax remains a key Consideration in helping to scale, renewable energy projects

Tax measures have always been an important factor in determining the overall economics of wind power projects (along with other government measures such as subsidies and feed and tariffs). This is particularly the case given the transactional nature of wind power projects involving finance raising, joint ventures, land acquisitions and ultimate project sell downs. Furthermore, tax incentives such as the Inflation Reduction Act in the US can have a dramatic impact in helping projects become economic and in scaling the industry. In an era when there are many barriers facing this industry as discussed above, it is critical that Government authorities continue to consider taxation policy as a pool for driving positive outcomes through effective use of incentives and also removing unnecessary tax barriers for the industry.

KPMG has been championing for the key role of tax policy as part of the wider climate change agenda and this is particularly relevant to the energy transition, including for wind power. This is why this report is important and that it helps to highlight why taxation policy can have both a positive and a negative impact for the industry in many different countries. It also makes it very clear that tax is always an important consideration for any project.

Conclusion

We live in a world today with many complex geopolitical issues, but we should never lose sight of the reality of climate risk, and how will impact all of us. The reality of climate change is becoming all too clear in many different parts of the world and failure to take action is perilous for all of us. This is why every effort must be made to remove barriers and support the continued growth of the renewable energy industry. In every country, tax policy has a key role to play in helping to make this a reality.

KPMG is proud to be a trusted advisor to many of the global leaders in offshore and onshore wind , delivering high-quality projects all of which contribute to helping the world take positive action on climate change.

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ENR Tax incentives and local taxes summary table

Overview of applicable tax benefits and local taxes

Country	Tax benefits*	Local taxes**
Argentina	x	x
Australia		x
Austria	x	x
Belgium	x	x
Brazil	x	x
Canada	x	x
Chile	x	x
China	x	x
Costa Rica	x	x
Croatia		
Denmark		
Estonia		x
Finland		x
France	x	x
Germany		x
Greece	x	x

Overview of applicable tax benefits and local taxes

Country	Tax benefits*	Local taxes**
Iceland	x	
India	x	
Indonesia	x	x
Ireland		x
Italy	x	x
Japan	x	x
Jordan	X	
Kazakhstan	x	x
Kenya	x	
Latvia		x
Lithuania	x	x
Mexico	x	x
Netherlands		x
New Zealand		
Norway		x
Pakistan	x	
Philippines	x	x
Poland		x
Portugal		x
Romania	X	
Saudi Arabia		x
Serbia	X	
South Africa	x	x
South Korea		
Spain		x
Sweden		x
Taiwan	X	x

Overview of applicable tax benefits and local taxes

Country	Tax benefits*	Local taxes**
Thailand	x	
Turkey	x	
Uganda		
Ukraine	x	x
UK		
Uruguay	x	
US	x	x
Venezuela		x
Vietnam	x	

*(e.g. accellerated depreciations)
**(e.g. property tax)

Argentina

Corporate income tax

General

By the end of 2015, Law 27.191 (amend Law 26.190) was enacted for the purpose of fostering the generation of electricity from renewable sources.

Companies that exploit renewable sources in Argentina are subject to the normal Argentine corporate income tax regime with tax benefits

The taxable result of the company will include the operating income, less allowable tax deductions such as tax depreciation.

Corporate tax rate

Law 27,630 (published 16 June 2021) establishes a tiered structure of corporate income tax rates for different brackets of earnings—the lowest at 25% and the highest at 35%—as well as a tax on the distribution of dividends, imposed at a rate of 7%.

The measures are effective retroactively, for tax years beginning from 1 January 2021.

The following table sets out the tax rate measures in the new law.

Annual taxable income (ARS)	Tax due on lower limit (ARS)	Marginal rate on the excess of the lower limit
$ 0,00 to $ 34.703.523,08	ARS $ 0,00	ARS $ 0,00
$ 34.703.523,08 to $ 347.035.230,79	ARS $ 8.675.880,77	ARS $ 8.675.880,77
Over $ 347.035.230,79	ARS $ 102.375.393,08	ARS $ 102.375.393,08

Depreciation rules

Generally, tax depreciation is similar to accounting depreciation (unless specific exceptions).

The Law 27.191 established the possibility to apply an accelerated depreciation method of personal property and infrastructure investments.

Companies may choose to apply the regular depreciation method established by the Corporate Income Tax Law or the special accelerated depreciation method established by Law 27.191, which consists of five equal, annual, and consecutive installments for investments made between 2022 and 2025. For real estate property, the accelerated depreciation results from reducing its estimated useful life to 80% (2022–2025). The relevant assets must be held for three years.

Net Operates Losses

In general, Companies can compute tax losses for five years.

Tax losses arising from benefited project can be computed for 10 years.

Value added tax

General

In general, a company of generation of electricity from renewable sources qualifies as a taxable person for VAT purposes.

Transactions carried out by companies are subject to the standard VAT rate of 21% when the transactions are deemed to take place in Argentina for VAT purposes.

Entitlement to recover input VAT

Law 27.191 established an early tax refund in the construction stage.

Early recovery of VAT for the purchase of new assets or infrastructure works accumulated by means of a refund or a credit against certain other federal taxes

Other taxes and incentives

Local Taxes

From a provincial tax perspective, Law 26,190 invites all Argentine provinces to adhere to the regime enacting local regulations with tax benefits aimed at promoting and encouraging the production of electric energy through renewable sources.

Other incentives

Tax certificate: equivalent to 20% of the amount of the Argentine-source component (60% of Argentine-source component shall be evidenced, which can be reduced up to 30% to the extent that no local production is evidenced). The certificate will be applied against federal taxes.

Import duties: exemptions only for some specific goods (e.g. solar panels)

The renewable energy promotion regime is currently in its final stage of validity in Argentina. All the players of renewable energy in Argentina are working on it´s renewal, but there are no known bills at this time that would extend the validity of this regulation.

It is important to mention that Argentina enacted Law 27.742, which include a Large Investment Incentive Regime (RIGI – Regimen de Incentivos para Grandes Inversiones), with important incentives in Taxes, Customs and Exchange Rules. The project of Investments (Wind power and other sectors) must qualify as a "large investment". The minimum amount is 200 million USD.

Australia

Corporate income tax

There are two structures that are most commonly used in Australia to hold wind farm assets – trust structures and company structures:

Taxation of a trust structure

Once a trust holding the wind farm assets is not regarded as a public trading trust, it should be regarded as a flow through entity for tax purposes. In this regard, unitholders will be taxed on their share of the income of the trust at their marginal tax rate (e.g. 30% for non-resident corporate entities, 15% for superannuation funds). Whilst the trust itself should not be taxed, it must lodge an Australian income tax return each year.

The character of the income passed through the trusts to unit holders will retain its character from an Australian tax perspective.

Taxation of a company structure

Renewable energy generation companies in Australia are subject to company income tax. Where turnover exceeds AUD 50 million in a financial year, the company tax rate is currently 30%. Where turnover is less than AUD 50 million in a financial year and other conditions are met, the company tax rate can be reduced to 25% (for the 2021-22 income year onwards).

The taxable income position of the company will include operating income from the wind farm, less allowable tax deductions such as depreciation of plant & equipment. The taxable income of the project should broadly be worked out in the same manner irrespective of whether a trust or company structure is adopted.

Exit implications

The tax implications on exit will depend on whether the shares/units of the project are held on revenue or capital account, whether any future gain is deemed to have an Australian source and whether the asset is Australian real property.

Where the unit holder/shareholder is non-resident for Australian tax purposes (and is assumed not to have a permanent establishment in Australia), any capital gain / loss arising on disposal should be disregarded where it arises in relation to an asset that is not "taxable Australian property" ('TAP') (i.e. less than 50% of its value can be attributable to land, leases and associated fixtures in Australia). Assessing whether (or not) an asset is TAP will be a question of fact having regard to the physical and technical characteristics of the assets and nature of the interests in land held, etc. The exemption from taxation for non-TAP gains should only be available where the investment is considered to be held on capital account.

The Federal Treasury is currently consulting on proposed measures to expand the definition of TAP from 1 July 2025. Treasury has released a consultation paper with proposed changes to the definition that would extend the scope of TAP to assets with a close economic connection to Australian land and include rights over assets which under the current rules would not be considered TAP, including infrastructure and machinery installed on land situated in Australia such as wind turbines, solar panels, batteries, transmission towers and transmission lines and substations. These changes remain subject to ongoing consultation and should be monitored to assess the impact on existing and proposed investments.

Where an asset is held on revenue account and is not TAP, it can be possible to look to the relevant double tax agreement such that no Australian tax should arise on disposal.

To the extent that the asset disposed of is TAP, any gain will be assessable in Australia at 30% regardless of whether it is held on revenue or capital account. However, Australian residents may be eligible to access capital gain concessions where certain criteria are met (i.e. the units/shares are held for greater than 12 months) provided that the underlying units/shares are held on capital account.

Goods and Services Tax

GST registration

In order to recover input tax credits on GST on costs incurred, the recipient entity must be registered and entitled to be registered for GST.

An entity will not be entitled to be registered for GST where it is not carrying on an enterprise. An entity which passively holds interests in its downstream entities (i.e. does not undertake any management activities of these entities) and/or is not the head of an income tax consolidated group/multiple entry consolidated group, will not be taken to be carrying on an enterprise.

An entity is required to be registered for GST if its GST turnover exceeds or is likely to exceed, AUD 75,000, in any twelve month period (i.e. current month and future 11 months and current month and past 11 months). All taxable sales and sales connected with Australia will be included in calculating the GST turnover.

The effect of GST registration is that the GST registered entity will be required to remit GST on its taxable supplies in its monthly or quarterly business activity statements ("BAS").

Where an entity is not required to be registered for GST, consideration should be given to whether it is optimal for these entities to be registered, including:

- Whether registration allows them to claim input tax credits; and
- As a GST registered entity will be required to charge GST on its taxable supplies (e.g. trustee fees), whether the recipient of the supply can claim an input tax credit as the supply would have otherwise been out-of-scope for GST purposes if the entity is not required to register.

Recovery of input tax credits

The Finance Acquisitions Threshold ("FAT") is exceeded where, in any twelve month period (i.e. current month and future 11 months and current month and past 11 months), the GST incurred on costs related to all financial supplies (excluding borrowings) exceeds either 10% of all GST incurred or AUD 150,000.

Where an entity exceeds the FAT, it will not be entitled to full input tax credits for GST it incurs on expenses to the extent the expense relates to financial supplies it makes (such as the issue of units). Reduced input tax credits may be available for prescribed costs (at a reduced rate of generally, 75%).

Wind power operations are likely to be fully creditable, with the exception of certain share transactions, the project vehicle should be entitled to claim full GST credits for GST incurred on development, construction and any operation costs relating to these activities.

State taxes

State taxes can also be relevant to acquiring or disposing of wind farms, principally duty and land tax.

Land tax

Land tax is imposed annually on the owner of land (including a lessee from the Crown), calculated as a fixed percentage (e.g. 2%) of the unimproved value of the land. The rates vary between the states and territories. Land tax is imposed on the owner but is often passed on to the tenant under commercial leases.

Land tax surcharges (e.g. an additional 2%) can also apply where the owner of land is treated as 'foreign', which looks to the upstream ownership. These surcharges are generally limited to residential land but apply to all land in Queensland and Victoria. Exemptions are potentially available for these surcharges during development, and potentially on an ongoing basis although this require an active business to be conducted.

Duty

Duty is relevant to either the acquisition of sites when a wind farm is being constructed or on the acquisition of an existing project, either as an asset acquisition of an acquisition of shares or units.

For the acquisition of sites, duty would generally not be charged on the grant of leases for periodic rent. However, duty is charged on leases granted for a premium or where the land is acquired rather than leased. The rate of duty varies between the states and territories, up to approximately 6.5% of the greater of the purchase price (or lease premium) or value.

For the acquisition of projects, duty can be charged on the acquisition of the land (including leases), including any fixtures (or leasehold improvements) and goods and also intangible assets in some states. Where a project is acquired by an acquisition of shares or units, in some cases the duty is same as acquiring the project and in some cases is less and can also be nil where a minority interest is acquired. The rules vary by state and territory and should be considered for each project acquired.

Duty is generally paid by the purchaser but would is relevant to pricing on exit and so is indirectly relevant to the vendor.

Like land tax, there are also surcharges for purchasers who are considered to be 'foreign' but these surcharges are generally limited to residential land although one State currently also applies a surcharge to primary production land.

Special tax regime

There is no special tax regime for wind power companies in Australia.

Austria

Income tax

Corporate Income Tax

First, the question of the appropriate legal form to operate a wind power plant has to be analyzed: Corporations like limited liability companies (GmbH) or stock companies (AG) are subject to corporate income tax, currently at a flat rate of 23% (reduced from 25% to 24% from January 1st, 2023, and 23% starting January 1st 2024).

National Income tax

Private individuals are subject to national personal income tax at progressive tax rates. Tax rates for private individuals range from 0 % - 55 % (for income exceeding 1m €). Income tax brackets are annually adjusted for inflation.

A partnership is treated as a transparent entity for tax purposes, i.e. the partnership income is attributed to and taxed at a partners' level when incurred. Taxation depends on the partner (private individual or corporation). As regards the computation of the tax-base of a wind power plant-company, there are no differences to any other business entity.

Depreciation

In Austria, for tax-purposes straight-line depreciation is to be applied. Declining-balance depreciation at 30% is basically possible if also applied for local-GAAP purposes – for goods acquired by power utilities before January 1st, 2026, an exception applies: they may solely use degressive depreciation for tax-purposes for these acquisitions. As a wind power station is not classified as a building from a tax perspective, there is no explicit duration laid down in Austrian tax legislation, but the acquisition cost is to be spread over the useful life of the wind power plant. Based on negotiations with Austrian-resident power utilities, the Austrian tax authorities have published a list of useful lives for assets held by power utilities. According to this list, that forms an annex to the Income Tax Directive of the Austrian Ministry of Finance, the useful life for wind power plants is 20 years. The land itself (including roads to make the land usable) is non depreciable (usually it is only leased anyway).

Provisions

In case the wind power plant is to be dismantled after a specific period agreed upon between the owner of the land and the operator of the wind power plant, the setting-up of a provision for the removal costs may be required, aiming at spreading those costs over the contractual period for local Austrian-GAAP as well as for tax purposes. From a tax-perspective, an annual deduction of the proportionate cost relating to that specific year

would be possible. Still, long-term provisions (actual cost will only arise after a period of more than 12 months) for tax-purposes are to be discounted for tax-purposes at 3.5% p.a..

Tax allowances

A new tax allowance for depreciable assets has been introduced for "environmentally friendly" business investments realized after 31 December 2022: In general there is an on-top tax-deduction of 10 % of the acquisition or production costs in addition to the annual depreciation of the asset. For environmentally friendly assets or "green investments", the tax allowance is increased to 15 %. The tax-base for the tax-allowance is still capped at EUR 1 Mio per business year (i.e. tax allowance of EUR 150,000 per year for green investments).

Specific withholding regulations

In 2019, Austria implemented a new withholding tax for infrastructure projects. Whenever specific infrastructure-providers (companies that supply electricity, gas, oil and district heating) effect payments for the right to use a piece of land to set up transmission lines, 10% of the gross-amount (7,5 % for payments made to corporations from 2023 onwards) is to be withheld and transferred to the tax-authorities. The withholding tax is final for the recipient, still an option for taxation of that income at standard progressive rates is possible. If wind power plants are set up, there may be payments to landowners to be granted the right to set up grid-connection lines that would be covered by those rules. Please note that WHT would also cover ancillary payments to the landowners. Payments referring to the plant itself, including payments for the right to use the airspace are not covered by WHT. Lease payments made

to landowners are taxed as ordinary rental income of the recipient (no lumpsum taxation applicable even for farmers and foresters).

Value Added Tax

Lease payments to landowners are either tax-exempt or subject to 20% VAT (subject to an option for tax-effective treatment by the landowner). Input-VAT deduction at the level of the power plant operator is possible if the applicable formal requirements are met (in practice self-billing invoices are issued by the plant operators).

Electricity levy ("Elektrizitätsabgabe")

Basically, supplies of electricity are subject to Austrian electricity levy of currently 1.5 cent/kWh. Supplies of electricity to electricity-producers using that electricity for their production or transmission of electricity benefit from an exemption (e.g. if electricity produced by a wind power plant is sold to a public utility). The levy shall only cover supplies where the electricity is consumed.

An exemption from electricity tax applies for electricity produced by renewable assets (wind, photovoltaics, water, etc) and consumed by the producer himself. For supplies up to and including 31st December 2024, the electricity levy is reduced to 0.1 cent/kWh.

Real estate transfer tax, stamp duties and property tax

The wind power plant itself is qualified as an operating business facility. A sale therefore is not subject to real estate transfer tax. If the land (on which the wind power plant has been built) is transferred, RETT of 3.5% of the purchase price paid to the vendor of the land is triggered. Furthermore, registration fee for registration with the Land Register of 1.1% (same tax base) falls due.

Each municipality is free to decide whether to levy property tax. If a property is not acquired but leased, Austrian stamp duty will be triggered for any leasing-contract that is established in writing ("Bestandsvertragsgebühr"). The Duty amounts to 1% of the annual leasing amount multiplied by the leasing period in years (capped at 18 years at the maximum). If the leasing contract is entered into for an indefinite period, Stamp Duty is calculated by multiplying the annual leasing expense by three.

Windfall Profit Tax

Austria has introduced the so called "energy crisis contribution for electricty" ((Energiekrisenbeitrag-Strom; in short: EKB-S) to implement the EU Emergency Measures Regulation to skim off exceptionally high market revenues for electricity producers as to extremely high prices for consumers ("windfall profits") in the oil, gas, coal and refinery sectors. The EKB-S applies to the sale of domestically generated electricity from wind energy, solar energy, geothermal energy, hydropower, waste, lignite and hard coal, crude petroleum products, peat and biomass fuels, except biomethane. The EKB-S applies to operators of generation facilities with an installed capacity of over 1 MW.

Originally, EKB-S covered windfall profits earned over the period from 1st December 2022 to 31st December 2023. Austria still has prolonged applicability of EKB-S also for the period from 1st January 2024 –

31st December 2024. The energy crisis contribution for electricity is 90 % of the positive difference between market revenues (without subsidies) and EUR 120 per MWh starting from 1st June 2023 (whereas the threshold has been EUR 140 per MWh before).

Profits resulting from derivatives that are closely related to sales of electricity are also covered by this tax. For investments in renewable energy and energy efficiency, a deduction is available which not only covers investments realized but also planned investments provided that they have started up to 31st December 2027. Originally, the deduction amounted to 50% of the actual acquisition or production costs, but not more than EUR 36 per MWh (based on the supply volume underlying the market revenues). From 1st January 2024, the deduction has been increased to 75% but EUR 72 per MWh.

Within a group of companies, a "transfer" of deductions between group members is possible.

The EKB-S must be calculated by the taxpayer and paid to the VAT tax office on October 15th, 2024 (for the period 1.1.2024 - 30.6.2024) and on April 15th, 2025 (for the period 1.7.2024 - 31.12.2024). Records of the calculation must be kept. Furthermore, the basis of the calculation must be disclosed to the tax office electronically using a specific form published by the tax-authorities.

Federal levies

Federal provinces have started to impose levies at a regional level to cover costs relating to the construction and operation of wind power plants. Burgenland has e.g. introduced a specific wind-power and photovoltaics tax amounting to EUR 3.000 per MW and p.a. for wind-power-plants which becomes due and payable by 30th June each year.

Belgium

Corporate income tax

General

Companies operating in Belgium's renewable energy sector, including those involved in solar, hydro, and geothermal projects, are subject to the normal Belgian corporate income tax regime.

The taxable result of the company will include operating income from these renewable energy installations, reduced by allowable tax deductions such as tax depreciation.

The applicability of Belgian taxes on windmill farms is a specific case. For Belgian tax purposes, offshore windfarms located outside of the 12 nautical miles zone are considered to be located within Belgian territory, in so far as these locations are within the exclusive economic zone. This implies that both development works, and other works performed on windfarms located in the exclusive economic zone, though outside the 12 nautical miles, are subject to Belgian corporate tax (and for that matter, also other Belgian taxes, such as VAT).

Corporate tax rate

The general corporate income tax rate in Belgium is 25%. A reduced corporate income tax rate of 20% is applicable to "small" companies on the first tranche of EUR 100,000 if certain conditions are met.

Basket limitation rule

Only a maximum of 70% of the taxable basis exceeding EUR1 million can be offset by certain deductions grouped in a "basket" and the remaining taxable base is effectively subject to tax (resulting in a tax cash out effect). This means that even in case of availability of losses carried forward (or other qualifying tax deductions carried forward), 30% of profits exceeding EUR 1 million are effectively taxed at the standard tax rate.

This "basket" includes carried forward tax losses, but also carried forward investment deduction (a tax incentive typically applicable for the renewable energy sector – see below).

Note that for tax assessment year 2024 (financial years ending between 31 December 2023 and 30 December 2024), the 70% was reduced to 40%, resulting in a minimal tax basis of 60% on profits exceeding EUR 1 million. This measure is only applicable for one year, with the general basket limitation rule again applicable going forward.

Tax consolidation

Belgium has introduced a limited form of tax consolidation ("group contribution regime"). Under this regime, a Belgian company can make a "contribution" of its taxable profits to another Belgian company which has incurred a tax loss via a special agreement. Among other conditions, this regime requires a 90% direct participation between the companies for at least five years.

Deduction of interest expenses

A specific interest deduction limitation, based on the European Anti-Tax Avoidance Directive, applies to loans concluded as of 17 June 2016 or which were fundamentally modified after 17 June 2016.

Under this rule, the excess of interest expenses over interest income (referred to as the 'financing cost surplus') is deductible only up to 30% of the tax-adjusted EBITDA, with a minimum threshold of 3 mio EUR.

These thresholds must be assessed on a consolidated basis. Within a Belgian group, companies can transfer unused deduction capacity to other Belgian group entities or collectively choose to waive the often-complex EBITDA calculation.

Any financing cost surplus that is not deductible under these rules can be carried forward to future tax periods.

Initial losses

In principle, tax losses in Belgium can be carried forward without limitation in time. Utilization of these losses carried forward is subject to certain annual thresholds (see "basket limitation rule" above) and subject to change in control rules (see further).

Tax incentives

To support the production of renewable energy, certain incentive schemes are available in Belgium. From a corporate tax point of view, the most commonly applied tax incentive by energy companies in Belgium is the "investment deduction".

Investment deduction (or tax credit)

The investment deduction is an additional deduction on top of the regular depreciation which can be claimed in the tax return. This is calculated as a percentage of the acquisition or investment value of certain assets, including (qualifying) energy-saving investments, or on the depreciation thereof.

Investments made in FY2024 (AY2025)	Deduction		Tax credit	
Category	**% One-off**	**% Spread**	**% One-off**	**% Spread**
Energy-saving investments	15,50%			
Environmentally friendly investments in R&D	15,50%	22,50%	15,50%*	22,50%*
Investments made as from 1 Jan 2025	**Deduction**		**Tax credit**	
Category	**% One-off**	**% Spread**	**% One-off**	**% Spread**
Thematic investment deduction for efficient energy consumption and renewable energy	30%			
Technology deduction for environmentally friendly investments in R&D	13,50%	20,50%	13,50%*	20,50%*

*To be multiplied by applicable CIT rate

The additional deduction can be applied as a "one-off" deduction, based on the acquisition or investment value, or can be spread over time, based on the depreciations of the assets. The spread deduction is only available for environmentally friendly investments in R&D. Upon choice of the taxpayer, the deduction for environmentally friendly investments in R&D can be converted to a (one-off or spread) tax credit.

In case of insufficient profits (e.g. in the first years of the investment), the investment deduction or tax credit can be carried forward without time limitations (within certain annual thresholds), subject to change in control rules.

In order to apply the deduction or tax credit on (qualifying) investments, an attestation must be obtained from the competent (regional) authorities. Additional complexities exist for offshore investments (such as wind farms in the exclusive economic zone).

Starting January 1, 2025, the investment deduction regime will be changed (as partially illustrated above). Belgian taxpayers will be able to choose from three investment deductions for each qualifying asset: (i) an ordinary deduction for "small and medium sized" companies, especially for digital investments; (ii) an increased thematic deduction for investments in energy efficiency and renewable energy, zero-emission transport, eco-friendly projects, and digital investments that support the aforementioned categories or (iii) a technology deduction for patents and R&D in sustainable technologies, including investments for efficient energy consumption and renewable energy. Further guidance is yet to be issued around the application of this renewed incentive.

Change in control

A change in control (e.g. resulting from the sale of shares) in a Belgian company results in the loss of the ability to use carried forward tax attributes, including tax losses, the investment deduction and the corresponding tax credit. However, this rule does not apply if the Belgian company demonstrates "legitimate financial or economic needs" for the change in control.

A change in control is generally considered to meet "legitimate financial or economic needs" when the activities and employment in the Belgian company are maintained (even partially) or the ultimate consolidating entity in the group remains the same.

Depreciation rules

In Belgium, tax depreciation generally follows accounting depreciation (unless specific exceptions).

No specific rules are provided regarding depreciation periods for renewable energy assets such as wind turbines, solar panels, hydroelectric installations, or geothermal power systems. For wind turbines and solar panels an estimated useful life of 15–20 years (straight line) for such assets is typically not challenged by the Belgian tax authorities.

Investments in R&D should be depreciations over a period of at least 3 years.

Depreciation in the first year of acquisition or investment is calculated on a pro-rata temporis basis.

Exit

A sale of shares in a Belgian company by a non-resident is not subject to capital gain tax in Belgium.

In case of a sale of the shares by a Belgian resident company (e.g. a Belgian acquisition vehicle), the capital gain will be exempt if the shares (minimum 10% or a minimum acquisition value of EUR 2.5 million) have been held for minimum one year.

Global Minimum Tax / Pillar Two

Belgium's new Pillar Two regime, effective from 2024, enforces a 15% minimum tax rate on large multinational and domestic groups with revenues over EUR 750 million.

The rules, based on the OECD's GloBE framework and the EU's Minimum Taxation Directive, include an Income Inclusion Rule (effective on financial years starting from 31 December 2023), an Undertaxed Profits Rule (effective on financial years starting from 31 December 2024) and a Domestic Minimum Top-up Tax (effective on financial years starting from 31 December 2023).

Value added tax

General

In general, a company specialized in the development and exploitation of wind farms and/or photovoltaic solar parks qualifies as a taxable person for VAT purposes.

Transactions carried out by companies, often SPV's, developing, owning and operating wind farms and/or photovoltaic solar parks (e.g. the supply of energy to re-sellers/consumers via PPA's, peer-to-peer trade (energy sharing), the sale of green electricity certificates, the

sale of Guarantees of Origin) are generally subject to the standard VAT rate of 21% when the transactions are deemed to take place in Belgium for VAT purposes.

Until 30 June 2023, a temporary reduced VAT rate of 6% applied on the supply of electricity in Belgium to natural persons that did not communicate an enterprise number to their energy supplier (i.e. residential contracts). As from 1 July 2023, the reduced VAT rate of 6% became permanent but it is linked to a new criterion, namely "non-business use" as defined by the Belgian excise legislation.

The starting point is the following:

- in case of non-business use, the reduced VAT rate of 6% applies combined with higher excise duty rates and;
- in case of business use, the standard VAT rate of 21% applies combined with lower excise duty rates.

When the customer (natural person) does not communicate an enterprise number to the energy supplier in the context of a contract for the supply of electricity, a rebuttable presumption applies for the energy supplier that it concerns non-business use (and as a result that the reduced VAT rate of 6% applies).

The communication of an enterprise number by the customer (natural person / legal entity) to the energy suppliers in the context of a contract for the supply of electricity is a rebuttable presumption for the energy supplier that it concerns business use (and as a result that the standard VAT rate of 21% applies), unless the customer explicitly informs the supplier via a specific declaration that the contract is for predominant non-business use (in which case the reduced VAT rate of 6% applies). The declaration signed by the customer releases the energy supplier from any liability on the applicable excise duty and VAT rates, barring collusion between the parties.

Entitlement to recover input VAT

Input VAT on goods and services used for a VAT taxable activity can in principle be recovered.

Generally, a company should be able to recover input VAT on costs in connection with the operation of wind farms and/or photovoltaic solar parks (e.g. building cost, cost for grid connection, maintenance costs, management).

This also applies to input VAT on costs incurred during the development of a wind farm and/or photovoltaic solar park (e.g. legal and technical advice such as wind studies, grid connection studies, fees for obtaining the required permits), insofar as the company can substantiate its intention to start an economic activity giving rise to VAT taxable transactions in the future. However, a potential correction of the input VAT recovered on costs related to the acquisition or construction of business assets may be required in case of failed projects.

Input VAT linked to exempt or non-business activities can in principle not be recovered. This includes among others shareholding transactions, transactions with respect to immovable goods and financial transactions. Given the potential impact on the right to recover input VAT, it is recommended to seek advice prior to engaging in this type of transactions.

Development

In Belgium, work in relation to immovable property (e.g. construction, maintenance) or immovable work is subject to a VAT reverse charge mechanism provided certain conditions are met.

In view of their size and weight, and the fact that they are permanently incorporated into the soil, wind turbines are qualified as immovable property by nature for VAT purposes. This immovable character is also attributed to the cables and network connections connecting the wind farm to the grid and extends to the fittings and equipment necessary for the use of the wind farm.

It follows that the construction of a wind farm concerns immovable work, so that the contracts providing for the development of wind farms, including the delivery with installation of parts of the wind farm, are generally subject to the reverse charge mechanism.

This also applies to the operation and maintenance works on the windfarm.

Although wind turbines qualify as immovable property by nature for VAT purposes, the passive immovable rent of wind turbines qualifies as a VAT taxable transaction giving rise to a right to deduct the input VAT.

From a VAT point of view, the supply and installation of solar panels, depending on the type of solar panels, generally either qualify as immovable work (e.g. solar panels integrated in the roof structure of a building) or as "assimilated" immovable work (e.g. solar panels merely installed on top the roof of a building), meaning that in these situations the aforementioned reverse charge mechanism will also apply when the conditions are met. This also applies to the maintenance of the solar panels.

The rent of solar panels usually has to be seen as the rent of movable goods (i.e. when the solar panels are not integrated in the roof structure of a building), which is a VAT taxable transaction giving rise to a right to deduct the input VAT.

Until 31 December 2023 a reduced VAT rate of 6% applied under certain conditions for the supply and installation of photovoltaic solar panels, solar boilers and heat pumps on, in or in the immediate proximity of specific buildings (private dwellings, residential institutions for elderly people, boarding schools attached to schools, universities...) less than 10 years old. This measure was extended until 31 December 2024 but only for heat pumps, so not for photovoltaic solar panels and solar boilers. The supply and installation of photovoltaic solar panels, solar boilers and heat pumps in or on private dwellings older than 10 years already benefits, under certain conditions, from a (permanent) reduced VAT rate of 6%.

GEC

In order to encourage the production of environmentally friendly electricity, the government has introduced a system of green electricity certificates (hereinafter 'GEC'). Under this system, a green electricity producer is entitled to a GEC per 1.000 kWh produced by offshore wind.

As part of its public service task, the transmission system operator (Elia) is obliged to buy from the green power producer who so requests the GEC that were delivered to it at a minimum price.

For the three first-built wind farms (Belwind, C-Power and Northwind), this minimum price is set at 107 euros/MWh for production from the first 216 MW of installed capacity and at 90 euros/MWh for production from an installed capacity above the first 216 MW. For the Nobelwind wind farm (split off from the initial Belwind domain concession), the minimum price is 107 euros/MWh for the first 45 MW of installed capacity (as Belwind has installed 171 MW) and 90 euros for the remaining 120 MW. The purchase obligation is for 20 years for these 4 wind farms.

For the five other wind farms (Rentel, Norther, Mermaid, Seastar and Northwester 2), the minimum price per GEC depends on the electricity price. The minimum price is set by the federal regulator (CREG) in accordance with the applicable provisions. The purchase obligation applies for 19 years for the Rentel and Norther wind farms and for 17 years for the Mermaid, Seastar and Northwester 2 wind farms.

The purchase obligation of GEC for electricity produced through offshore wind power is the subject of a contract between the domain concession holder and Elia.

Double-sided contract for difference (2-sided CfD)

In 2021, the federal government decided to provide additional offshore wind power capacity. The objective is to achieve an additional production of minimum 3.15 and maximum 3.5 GW in a second offshore wind zone, named the Princess Elisabeth Zone (PEZ).

The wind farms which will be developed in the PEZ will not be entitled to GEC but rather concluded double-sided contracts for difference with the Belgian State. The beneficiary is guaranteed a predetermined fixed revenue level ("strike price") based on Available Active Power (APP) and where the support level (which can be negative) changes according to the electricity reference price and a correction factor. The APP is defined as the potential available electricity production from renewable generation plant without curtailment but deducting unavailability. The strike price was set at maximum 95€/MWh.

A carve out mechanism offers providers the opportunity to carve out, in a period of 3 years after the final installation of the wind farm, up to 50% of the total electricity production. This means that the produced electricity under the carve out is no longer offered under the 2-sided CfD. The proposed carve-out is only possible if the electricity in question is contracted through a PPA that results in a fixed price for the electricity at a price that is is not higher for the end user than the strike price submitted in the bid plus by EUR 3/MWh.

Consequently, this percentage of generation will not be subject to the variable price premium/refund obligation but will be completely excluded from the 2-sided CfD. By allowing a higher PPA price, there is a large incentive to the petitioners to sell this electricity directly to end-users.

Local taxes & surtaxes

Wind turbines are considered as "equipment" for real estate tax purposes in Belgium, in principle subject to land tax (so called 'immoveable withholding tax') as well as local surcharges due annually by the owner, leaseholder, or building lessee of the asset. Offshore windfarms, however, are exempt from land tax.

Additional exemptions are available in case the investment in a wind turbine qualifies as a "new" investment.

Other taxes

In principle, the supply of electricity in Belgium attracts excise duties when the electricity is supplied to end users.

The standard excise duty rate on electricity consists of three components: excise duties, special excise duties and the contribution on energy. The standard excise duty rate is calculated according to a degressive rate per consumption bracket. The consumption bracket is calculated on an annual basis. A distinction is made between electricity for business use (lower standard excise duty rate) and non-business use (higher standard excise duty rate) and whether the end-user is connected to the transmission or distribution network whose rated voltage exceeds 1 kV or not.

Excise duty exemptions may apply depending on the use of the electricity (e.g. dual use such as metallurgical processes).

An exemption for excise duties also applies under specific conditions for the use of electricity which is not taken from the transmission or distribution grid (e.g. renewable electricity supplied by a direct line) from solar, wind, wave, tidal or geothermal sources as well as from hydropower, which is generated in hydropower plants.

Specific excise duty rules apply on the supply of electricity for charging electric vehicles.

The supply of electricity to end users located in Belgium is also subject to regional levies (e.g. energy contribution, "redevance de raccordement", contribution Public Service Obligations).

Brazil

Renewable energy strategy in Brazil

As a signatory of the Paris Agreement, Brazil has committed to ambitious climate goals, with established targets aimed at significantly reducing greenhouse gas (GHG) emissions. Under its current Nationally Determined Contribution (NDC), Brazil has pledged to reduce GHG emissions by 53.1% by 2030 and to ensure that renewable energy represents 45% of its total energy matrix by then. This includes securing at least 23% of electricity generation from renewable sources by 2030. Looking ahead, Brazil has set forth additional expectations under the Paris Agreement framework. Recently, at COP29, the country presented a proposal to reduce GHG emissions by 59-67% by 2035 compared to 2005 levels. This new target, subject to approval, reflects Brazil's growing ambition to reach carbon neutrality by 2050.

Introduction

The renewable energy sector in Brazil is typically structured around the establishment of multiple Special Purpose Entities (SPEs). This structuring occurs for various strategic reasons, most of which are non-tax related, such as regulatory requirements that frequently set production capacity limits for specific energy sources per SPE, mandates from development banks, or the need to isolate obligations for individual energy sale and purchase agreements. These SPEs are often formed under government incentive programs, such as the Incentive Program for Alternative Energy Sources (PROINFA) for wind energy and the Distributed Generation Program (GD) for solar energy, as well as through concessions or authorizations granted by the Federal Government.

In general, these operational SPEs are directly owned by a holding company (HoldCo) or through intermediate holding entities (Sub HoldCos), facilitating efficient project financing and streamlined asset management.

The primary taxes affecting these legal entities are outlined below, providing an overview of the complex tax landscape that shapes project feasibility and investment considerations in Brazil's renewable energy sector.

Corporate income taxes (IRPJ and CSLL)

The Corporate Income Tax (IRPJ) is a Federal tax at rate of 15% on taxable income, plus a surtax of 10% on the annual income that exceeds to R$ 240,000.00 (R$ 20,000.00 by month). The Social Contribution Tax on Profits (CSLL) is also a federal tax charged at 9% on the taxable income. These rates are applicable for both presumed and actual profit method.

Actual profit method ("Lucro Real"): Under the actual profit method, the taxable income

corresponds to the company's net book profit, arrived at by applying Brazilian GAAP, adjusted by non-deductible expenses and non-taxable revenues as per Brazilian corporate tax legislation. In this regime, companies are required to keep appropriate accounting records, the Taxable Income Control Register (LALUR/ECF) and supporting documentation and calculations to demonstrate the amount of tax due.

Presumed profit method ("Lucro Presumido"): On the presumed profit method the tax calculation base is deemed to be equal to a fixed profit margin on gross sales revenues.

The presumed profit margin for sales is 8% for corporate income tax and 12% for social contribution. The total amount of capital gains, financial and other revenues must be added to the taxable income basis. There are some limitations to apply this regime: (i) companies which have higher than R$ 78 million in gross revenue in the previous year; (ii) financial institutions; (iii) similar financial entities or factoring companies; (iv) companies which earn foreign profits, income or gains, or (v) qualify for an exemption of the corporate income tax cannot be considered for this system.

The election of the profit method (actual x presumed) is made on annual basis, at the beginning of the year and the choice may be renewed every year.

Gross revenue contributions (PIS and COFINS)

PIS and COFINS are Federal taxes charged on gross revenues monthly, under two regimes: (i) non-cumulative and (ii) cumulative.

Non-cumulative regime: In general terms, a taxpayer using the actual profit method for income taxes is obliged to use the non-cumulative regime for PIS and COFINS purposes, with rates of 1.65% and 7.60%, respectively. Taxpayers under the non-cumulative system are allowed to recognize tax credits over certain inputs and expenses: (a) products purchased for resale; (b) goods and services used as inputs in the rendering of services or manufacturing of products; (c) electricity; (d) the leasing and (e) the acquisition of fixed assets and (f) returned goods, which are monthly offset with the PIS and COFINS debts. Generally, financial revenues are taxed under the non-cumulative method at a 4.65% combined rate.

Cumulative regime: PIS/COFINS apply at 0.65% and 3%, respectively on the cumulative regime. This method is mandatory for companies under the presumed profit method and does not entitle the company to recognize PIS/COFINS tax credits. Financial revenues are not taxed for PIS and COFINS purposes under the presumed profit method.

State VAT (ICMS) and Municipal Service Tax (ISS)

ICMS is a State type of value added tax levied on the import of products, sale of goods (including electricity) and rendering of transportation/communication services.

In energy sales to concessionaries responsible for the energy distribution, the ICMS would be deferred to the moment of the distribution to the final consumers. However, one exception to this rule is when a generation company sells the energy directly to the final client through the "free market" (Chamber of Electrical

Energy Commercialization) within the same state. In this case the generation entity would be responsible to collect the ICMS.

Also, based on the Federal Constitution (Art, 155, item VII), the sale of energy on interstate transactions should not be taxable for ICMS purposes, instead, the acquirer of the energy would be responsible to collect the ICMS.

Regarding ICMS tax incentives, most incentives are related to Capex acquisition. Under this scenario, we highlight the CONFAZ Agreement #101/1997 (valid through 2028) which foresees ICMS exception for the operations with components used on wind and solar power operations. An analysis of the State legislation is recommendable to confirm if these incentives are applicable by the State where the wind power plant is located.

It is important to highlight that, recently, Complementary Law nº 194/2022 brought a change on the ICMS tax rates applicable to electricity operations. Based on the new legislation, these operations should be considered as "essential" and, as a result, the tax rate applicable to each State cannot be higher than 18% (prior to the new legislation, the tax rates were, in general, 25%). The application of the new legislation is currently under discussion through the Brazilian Supreme Court.

As far as the Municipal Service Tax, sales of electricity are not taxed by ISS as this is not considered service rendered.

Tax benefits

To achieve these goals, Brazil leverages tax incentives and other fiscal benefits that foster investment in renewable energy infrastructure. Key benefits include exemptions and reductions in import taxes, excise duties, and social contribution taxes (PIS/COFINS) for machinery, equipment, and services related to renewable energy projects. Programs such as the Special Regime for Incentives for Infrastructure Development (REIDI) and regional tax incentives in the North and Northeast further support these investments, contributing to a sustainable and economically viable transition toward a cleaner energy future in Brazil.

REIDI (Solar, Wind and Biogas)

The Special Regime for Incentives for Infrastructure Development (REIDI) allows for the suspension of PIS/Cofins on the acquisition of machinery and equipment dedicated to renewable energy infrastructure projects. Upon integration and use of these assets, this suspension is converted to a permanent zero rate, significantly reducing operational costs in qualifying projects.

PADIS (Solar and Wind)

The Program to Support the Technological Development of the Semiconductor Industry (PADIS) provides a comprehensive tax exemption, offering zero rates on PIS/COFINS, IPI, and Import Tax (II) for both locally sourced and imported inputs, machinery, and equipment. This program applies specifically to products listed in Decree 6,233/2007. Some items, such as photovoltaic panels, are scheduled to have the regular rate applied set to take effect on July 1, 2025.

Confaz ICMS - N°101/97 (Solar and Wind)

This agreement enables Brazilian states and the Federal District to exempt ICMS (a state VAT) on domestic, interstate, and import transactions involving wind turbines, solar panels, and associated components, providing essential tax relief across key operational phases.

Confaz ICMS - N°151/21 (Biogas)

This agreement permits participating states to offer ICMS exemptions on transactions involving machinery, equipment, devices, and components for electricity generation from biogas, reducing upfront and operational costs for biogas energy production.

Confaz ICMS - N°114/17 (Solar)

This measure authorizes specified states to grant ICMS exemptions on internal sales of equipment and components used in photovoltaic solar generation, particularly for supplying power to designated state-owned public buildings, encouraging public sector adoption of renewable solutions.

TUST/TUSD (Solar, Wind and Biogas)

A minimum 50% reduction on TUST (Transmission System Use Tariffs) and TUSD (Distribution System Use Tariffs) applies to projects with injected power levels ranging from 30 MW to 300 MW. This significant tariff relief reduces operational expenditure, enhancing project feasibility and competitiveness in the market.

Import tax and TIPI (Wind)

Wind turbines with a capacity of 2,640 kW are subject to a 14% Import Tax, while larger turbines qualify for a zero rate. However, as of January 1, 2025, all purchases of wind turbines from foreign markets will be subject to an 11.2% Import Tax. Additionally, the Industrialized Products Tax (TIPI) is reduced to zero for equipment and components essential to wind energy systems, streamlining project costs on critical imported assets.

Confaz ICMS - N°16/15 and Law N° 13.169/15 (Solar)

Under Agreement No. 16/2015, ICMS is applied only to the net difference between solar generation and consumption, providing a tax benefit for net metering systems. Additionally, Law No. 13.169/2015 exempts micro- and mini-generation systems (residential, industrial, and commercial) from PIS/COFINS, fostering smaller-scale, distributed solar generation.

Sudam/Sudene (Solar, Wind and Biogas)

Projects located in the North and Northeast regions are eligible for a 75% reduction in Corporate Income Tax (IRPJ) on operational profits for up to 10 years. This benefit, administered by the Superintendencies for the Development of the Amazon (Sudam) and the Northeast (Sudene), incentivizes renewable investments in regions with substantial growth potential.

Confaz ICMS - N°112/13 (Biogas)

This agreement allows participating states to grant a reduction in the ICMS tax base on internal transactions involving biogas and biomethane, effectively lowering the tax rate to 12%. This measure supports the adoption of renewable fuels by reducing both initial and ongoing costs in the biogas and biomethane sectors.costs on critical imported assets.

Additional comments to tax benefits

Its important to mentioned that, as part of a broader strategy, Brazil aims to gradually phase out some import tax benefits as domestic manufacturing capacity for renewable energy equipment grows. This plan seeks to foster local industry development, encourage technological innovation, and strengthen the country's energy independence while maintaining an attractive environment for investors.

Brazilian Tax Reform and Its Potential Impact on Renewable Energy Investments

Brazil is currently advancing a major tax reform expected to reshape its tax landscape, with significant implications for the renewable energy sector. Constitutional Amendment No. 132/2023 aims to streamline the tax system by consolidating several existing taxes—such as ICMS, ISS, IPI, PIS, and Cofins—into two new taxes: the Contribution on Goods and Services (CBS) and the Tax on Goods and Services (IBS). This reform is intended to reduce administrative complexity and provide a more cohesive national framework that fosters investment, especially in renewable energy.

The reform also introduces broader business impacts across cost structures, pricing strategies, and cash flow management. For example, companies may need to renegotiate long-term contracts and adjust supply chain strategies due to changes in tax distribution. Additionally, system upgrades and process adjustments will be critical to ensure compliance, requiring coordination across technology and business units.

A confirmed feature of the reform is the retention of the Special Infrastructure Development Incentive Regime (REIDI), which will now suspend CBS and IBS on machinery and equipment acquisitions for renewable energy infrastructure projects. This enhancement builds upon existing PIS and Cofins benefits, providing continuity under the new tax structure.

For distributed generation (DG) projects, however, current incentives, such as ICMS exemptions and reductions on equipment purchases, may be phased out as the new

structure replaces PIS, Cofins, ISS, and ICMS with CBS and IBS. Although the Senate initially discussed establishing special tax treatment for DG, including provisions under the Electric Power Compensation System (SCEE), these measures were excluded in the House revision, and thus, no special fiscal treatment for DG has been incorporated into the current reform text.

Additional measures are under consideration but are yet to be finalized. Complementary laws under discussion may establish reduced tax rates for wind and solar energy projects and could offer specific tax exemptions for biofuels, green hydrogen, and other low-carbon fuels. Another proposal under consideration is the exclusion of electricity from the new Selective Tax, which will apply only to goods and services deemed environmentally harmful, regardless of energy source.

While some existing state-level ICMS incentives for renewable energy remain in effect, such as import tax deferrals for wind and solar equipment in states like São Paulo, Rio Grande do Sul, and regions in the Northeast, these may be impacted as the reform progresses toward national standardization of benefits.

Brazil's evolving tax landscape presents an opportunity for increased clarity and simplification, potentially enhancing the renewable energy investment climate. The consolidation of federal, state, and municipal benefits under CBS and IBS may reduce the need for separate approvals across jurisdictions, creating a unified system that offers a more streamlined pathway for infrastructure projects.

Canada

Corporate income tax

The Canadian federal corporate income tax rate is currently 15%. Provincial corporate income tax rates vary between 8% and 16%, resulting in a combined federal and provincial corporate income tax rate of between 23% and 31%. Net operating losses may be carried back three years and carried forward 20 years. However, on a share sale that results in a change in control of the Canadian company there are special rules that limit the corporation's ability to utilize the carryforward net operating losses.

Canada has thin capitalization rules that restrict the deductibility of interest incurred on debt funding obtained from certain non-resident related party. Interest on the debt owing by the Canadian corporation to certain non-residents (i.e., non-resident shareholder and other related parties who together own at least 25% of the votes or value of the shares in the Canadian company) that exceeds 1.5 times the shareholder's equity of the Canadian company is not deductible and treated as a deemed dividend subject to Canadian withholding tax.

Canada has enacted excessive interest and financing expense limitation ("EIFEL") legislation to generally limit the deduction of net interest and financing expenses to 30% of tax-adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA") for taxation years starting on or after January 1, 2024. This applies to interest and financing expenses that would otherwise be deductible (ie, the thin capitalization rules apply prior to the EIFEL rules).

Capital gains and losses

Proceeds from the disposition of capital property that exceed (are less than) the tax cost of such property are generally taxed as capital gains (losses). The taxable portion of capital gains and the deductible portion of capital losses is 50%. The deductible portion of capital losses in excess of taxable gains is referred to as a "net capital loss". Net capital losses may be carried back three years and carried forward indefinitely, but may be applied only against taxable capital gains. However, net capital losses do not get carried forward after a change in control of the Canadian company.

In April 2024, the Canadian government proposed to increase the capital gains inclusion rate from 50% to 66.7% for dispositions occurring after June 24, 2024. However, these changes were not enacted prior to the prorogation of the Canadian government in January 2025. It is unclear at this time whether this change will ultimately become law.

Withholding tax rates

Non-resident withholding tax at a base rate of 25% is applied to payments of dividends, interest, royalties, and other similar items to non-residents. The rate may be reduced under applicable income tax treaties with consideration given to the application of the multilateral instrument (MLI) as it entered into force for Canada on December 1, 2019. Among other exceptions, non-resident withholding tax is not imposed on interest paid to non-residents who are dealing at arm's length with the payer.

A corporation's paid-up capital ("PUC") (a concept similar to legal stated capital) can be returned to a shareholder without the application of non-resident withholding tax.

Gains on the sale of taxable Canadian property ("TCP")

Generally, capital gains of a non-resident person from the disposition of capital property located in Canada is not subject to Canadian income or withholding tax. The main exception to this principle is in respect of capital gains realized on the disposition of TCP, which generally requires a purchaser to withhold and remit 25% of the purchase price unless the property is "excluded property". A process is available that provides for a possible reduction in the amount of Canadian tax to be withheld where the purchaser obtains a certificate from the Canadian tax authorities.

TCP generally includes, but is not limited to, the following:

- Real or immovable property situated in Canada.
- Capital property used at any time in carrying on a business by the non-resident in Canada.
- A share of a private corporation, an interest in a partnership or an interest in a trust that, within the preceding 60 months, derived its value principally from real or immovable property (including certain resource and timer property) situated in Canada.
- A share of a public corporation, within the preceding 60 months, the non-resident and/or non-arm's length persons owned 25% or more of the shares of the corporation and the share, within the preceding 60 months, derived more than 50% of its value from real or immovable property (including certain resource and timer property) situated in Canada.
- Canadian resource property and timer resource property, or interests in such properties.

Under certain tax treaties, there is a "point in time" test (vs. the 60 months as described above), such that, if at the time of sale the property does not constitute a concept similar to TCP, there should be no withholding tax levied.

For a more detailed description of corporate income tax in Canada:

https://assets.kpmg/content/dam/kpmg/ca/pdf/2021/01/ca-tax-facts-2021-2022-en.pdf

Special tax incentive regime

The primary federal tax incentives available to taxpayers developing renewable energy projects (i.e., wind, solar, etc.) are (i) accelerated capital cost allowance ("CCA") deductions available on Class 43.1 and Class 43.2 property, and (ii) the immediate write-off available in respect of an outlay that qualifies as Canadian Renewable and Conservation Expense ("CRCE").

Accelerated CCA

Accelerated CCA rates are available for certain types of assets used for clean energy generation and energy conservation that fall into Class 43.1 or Class 43.2.

Class 43.1 assets depreciate at a CCA rate of 30% annually computed on a declining-balance basis and include certain clean energy generation and energy conservation equipment. Class 43.2 assets depreciate at a CCA rate of 50% computed on a declining-balance basis and include certain equipment described in Class 43.1 acquired on or after 23 February 2005 and before 2025 used for clean energy generation, energy conservation, and higher efficiency standards.

Furthermore, a special accelerated CCA regime was introduced to temporarily allow the immediate deduction for tax purposes the costs of new specified clean energy equipment in Class 43.1/43.2 under the accelerated investment incentive property ("AIIP") regime. The AII regime will be gradually phased out starting in 2024 through to the end of 2027 (i.e., 100% first year enhanced allowance in 2023, 75% allowance in 2024 & 2025, and 55% allowance in 2026 and 2027).[1]

Only certain components of wind projects are eligible to be included in Class 43.1/43.2. Further, to be eligible for inclusion in Class 43.1/43.2, the property must be acquired by the taxpayer and used by it, or leased by the taxpayer to a lessee and used by the lessee, for the purposes of gaining or producing income from a business carried on in Canada or from property situated in Canada. Used property does not generally qualify for inclusion in Class 43.1/43.2, with specified exceptions.

Clean Energy Investment Tax Credits

The 2022 Fall Economic Statement proposed a Clean Technology Investment Tax Credit ("CT ITC") of up to 30% of the capital cost of certain eligible equipment. The CT ITC has now been enacted. It is fully refundable and is available in respect of certain capital cost of property that is acquired and that becomes available for use on or after March 218, 2023.

Separately, the 2023 Federal Budget proposed a Clean Electricity Investment Tax Credit ("CE ITC") of up to 15% of the capital cost of certain eligible equipment. The proposed CE ITC is also fully refundable and is intended to be available in respect of certain capital cost of property that is acquired and that becomes available for use on or after April 16, 2024.

Equipment that is located in Canada and is used to generate electricity from wind energy should qualify for both the CT ITC and CE ITC.[2] Generally, equipment that is used to generate electricity from other clean energy sources, such as solar or hydro energy, should also qualify.

Both the CT ITC and the CE ITC are subject to compliance with certain labour requirements. In order to qualify for the full rate, covered workers must be compensated at the applicable prevailing wage rate, in accordance with the terms of any relevant collective agreements. Additionally, at least 10% of the total labour hours performed by covered workers[3] engaged in installation of the project must be performed by registered apprentices. If these 2 labour requirements are not met, the ITC rate is reduced by 10%.

The CT ITC may only be claimed by taxable Canadian corporations that acquire qualifying property or by taxable Canadian corporations that are partners in partnerships that acquire qualifying property. However, the scope of the CE ITC is expanded to also include certain Crown corporations, corporations owned by municipalities and Indigenous communities, and certain pension investment corporations.

1 The 2024 Fall Economic Update proposes to reinstate the accelerated investment incentive for qualifying property acquired on or after January 1, 2025 that becomes available for use before 2030, and is phased out for property that becomes available for use between 2030 and 2033. However, due to the ongoing uncertainty in Parliament, it is not clear whether this announced measure will be enacted.

2 However, the CT ITC and CE ITC are not stackable and where a project qualifies for both, only one of these ITCs can be claimed.

3 Covered workers are those whose duties correspond to those performed by a journeyperson in a Red Seal trade.

Chile

Corporate income tax

Energy companies are subject to the general regime of the Corporate Income Tax Law ('CITL'). The taxable base for Corporate Income Tax ('CIT') is determined on the profit or loss result of the company's annual balance sheet as at 31 December of each year. Generally speaking, direct costs and expenses necessary to produce the income are deducted from the gross income of the respective business year, adjustments for price-level restatement are applied and certain additions and deductions are made.

Income from the exercise of a business activity is taxable at two levels::

- At the level of the company with the CIT, whose rate under the general regime is 27%;
- And at the time of withdrawal, distribution or transfer of profits to their owners, whether they are individuals resident in Chile, or individuals or entities domiciled or resident abroad. In the latter case, WHT is applied at a rate of 35%.

The CIT paid at the level of the company constitutes an imputable credit against the WHT (the entire credit can be imputed if the beneficiary of the income is a resident of a State that has a DTT signed and in force with Chile, otherwise, only 65% of CIT can be used as credit).

CIT deductible expenses

As general rule, to be deductible in the determination of the net taxable income, expenses must fulfill all requirements established in article 31 CITL. Article 31 also regulates some expenses that are especially deductible, and the additional or specific conditions they should comply with.

Broadly speaking, article 31 CITL provides that expenses are deductible to determine the net taxable income, provided the following requirements are met:

- Must be necessary to produce the taxpayer's taxable income.
  Deductible expenses must be necessary to this end, meaning that they must have the aptitude or potential to generate income, whether in the same or in future exercises, as they relate to the interest, development or maintenance of the company´s line of business.
- Should not have been deducted as part of the entity's direct cost of goods or services.
- Must be effectively incurred in the relevant taxable period, whether paid or accrued. Meaning that expenses must be a real or effective whether an economic loss or an actual acquisition or services, opposing to a mere estimation or appreciation of the taxpayer.

- Must be adequately supported with appropriate documentation.
  The taxpayer should be able to support the real existence of the expenses before the tax authorities and the circumstances that allow to qualify them as necessary to produce taxable income.

- Expenses incurred abroad should be supported with documentation issued according to the foreign country legislation, fulfilling the legal requirements of the corresponding country. The documents should at least contain the (i) individualization and domicile of the seller or service provider; (ii) the nature or object of the operation; (iii) the date and; (iv) the amount of the operation.

Specific expenses

Among others, Chilean Income Tax Law allows to deduct as a tax expense: Interests; Certain taxes; Salaries; Depreciation; Losses; Donations.

- Organization and start-up expenses
  Organization and start-up expenses are tax deductible and amortizable during up to 6 consecutive fiscal years from when those expenses were incurred or from the year in which the company begins to earn income from its main activity.

- Tax losses

Losses incurred by a business or enterprise during the tax year are deductible. Losses are computed under the same rules used for the computation of taxable income.

The deduction is made in the tax year in which the loss was suffered. If profits of that year are not sufficient for this purpose, the loss can be carried forward indefinitely until completely used. Losses can only be deducted by the taxpayer that suffered the loss and therefore cannot be transferred.

The carry forward of tax losses may be limited in case of a change of ownership.

- Environmental expenses

Expense of disbursements incurred due to environmental requirements, measures or conditions imposed for the execution of a Project can be deducted.

- Tax depreciation

As a rule, fixed assets are depreciated on a straight-line basis, with the possibility to accelerate the depreciation expense up to one third regarding new fixed assets acquired locally, or new or used fixed assets that are imported. The useful life is provided by the Chilean tax authorities.

Value-Added Tax ("VAT")

As a general rule, Chile applies VAT at a rate of 19% on sales or services provided or used in Chile.

- **VAT Recovery under article 27 bis of VAT Law**

Article 27 bis of VAT Law benefits VAT taxpayers which have accumulated VAT credit for a at least two consecutive periods, originated from the acquisition of movable tangible assets or real estate which are part of its fixed assets or services that are integrated in the cost of its fixed assets.

These VAT taxpayers can either offset the accumulated VAT credit, duly inflation adjusted, against any type of tax payable, including withholding taxes, and taxes or tariffs paid through customs or instead choose to obtain cash reimbursement from the Chilean General Treasury Department.

- **Exemption for the import of capital assets**

Imports are subject to VAT, whether they are habitual or not and whether they correspond to capital goods or inventory.

VAT is triggered when the import is legally consummated. Customs cannot authorize the withdrawal of goods before the VAT payment. The VAT taxpayer is the importer.

Article 12 B) No. 10 of VAT Law provides an exemption for the import of capital assets under certain circumstances. The goods shall qualify as "capital assets" under the guidelines issued by the Minister of Finance.

- **Recovery of export VAT**

Since exports are VAT exempt, article 36 of the Chilean VAT Law, establishes a procedure by means of which exporters are entitled to recover in cash VAT charged at the time of purchasing goods or services intended for its export activity.

Municipal taxes

Chilean entity performing industrial or commercial activities (i.e., secondary and tertiary activities) must pay an annual municipal tax to the municipality in which the entity is domiciled.

The municipal tax rate ranges between 0.0025% and 0.005% of the entity's tax equity, with a minimum annual tax of 1 Chilean Monthly Tax Unit ("UTM") (approximately USD 85, considering an exchange rate of USD 813) and with a maximum annual tax of 8,000 UTM (approximately USD 680k).

Land Tax

The base of the Land Tax corresponds to the fiscal appraisal of the property, the value of which is determined by the Chilean IRS, which is generally lower than the market value of the property. In the case of non-agricultural real estate, the Land Tax rate is 1.4% per annum.

In the event that the total sum of the tax assessments of a taxpayer's real estate exceeds approximately USD 560,000, a surtax with ascending rates per bracket is levied on the portion exceeding USD 560,000.

Contribution to regional development

Investment projects to be executed in Chile that meet the following copulative requirements: a) that involve the acquisition, construction or importation of physical fixed assets for a total value equal to or greater than USD 10,000,000; and, b) that must be submitted to the environmental impact assessment system, must pay a one-time contribution of 1%, which is applied to the acquisition value of all physical fixed assets of the same investment project, only for the part exceeding USD 10,000,000.

Taxation of polluting sources

A pollutant source tax is levied on energy companies operating on a combustion basis. The tax is levied on emissions into the air of particulate matter (PM), nitrogen oxides (NOx), sulphur dioxide (SO2) and carbon dioxide (CO2), produced by establishments whose emitting sources, individually or as a whole, emit 100 or more tonnes per year of particulate matter (PM), or 25,000 or more tonnes per year of carbon dioxide (CO2).

The tax base and the calculation of the tax are determined according to formulas established by law, which vary according to the volume and type of polluting compound, and the location of the establishment.

The law exempts from this tax those emitting sources that operate on the basis of non-conventional renewable means of generation, whose primary energy source is biomass energy, whether or not additives are used in their combustion.

China

Corporate income tax

Corporate Income Tax (CIT) is one of the main taxes for businesses in China. The standard CIT rate in China is 25%. A 15% rate may be secured for qualifying enterprises engaged in wind, solar and geothermic power generation and operate in the western region of China until 31 December 2030 (and this incentive may potentially be renewed after that). For enterprises which qualify for the "High and New Technology Enterprise" (HNTE) designation, a 15% rate is also applied; this requires numerous conditions to be fulfilled, such as for the China enterprise to own its core product IP rights.

Furthermore, certain wind, solar, hydro and geothermic power projects, approved by relevant government authorities (in particular, the National Development and Reform Commission, hereinafter referred to as NDRC) as "Public Infrastructure Projects", may benefit from even more generous tax treatment. Taxable income derived from the qualified wind, solar, hydro and geothermic power projects may be exempt from CIT for the first three years and entitled to a 15% rate, reduced further by 50% (i.e., a 7.5% rate), for the fourth to sixth years; this is referred to as "exemption for three years and 50% reduction for another three years". The preferential tax treatment can be applied starting from the tax year in which the first income arises from project operations.

For fixed assets owned by the enterprises, and which are subject to rapid obsolescence due to technological development or a high level of wear and tear, the accelerated tax depreciation rules may be applied. Furthermore, a 100% immediate tax deduction (i.e. capital expensing) is available (until December 2023) for purchased equipment or machinery with a unit value less than RMB 5 million (USD 0.73 million).

In addition, for wind, solar, hydro and geothermic power projects falling under the Clean Development Mechanism (CDM) a special tax rule applies. The government obliges companies generating proceeds from the transfer of certified emission reduction (CER) certificates to contribute a portion of such proceeds to the government. In view of this rule, the relevant amounts (i.e., 2% of transfer proceeds) are allowed to be deducted from enterprise taxable income for CIT purposes.

Value added tax and customs duties

Supply of electric power is normally subject to output value added tax (VAT) at a rate of 13% (16% prior to 1 April 2019). However, for supplies of wind-generated power, a 'refund-upon-levy' policy is applicable at 50% of the VAT payable amount (i.e. the excess of output VAT over input VAT).

From 1 April 2019, input VAT credits for the purchase of real estate and construction services can be claimed in full upfront. This is of benefit to wind, solar, hydro and geothermic power enterprises (among others) as previously such input VAT credits could only be claimed over a 2 year period. Wind, solar, hydro and geothermic power enterprises may also benefit from a new 'trial basis' VAT refund mechanism, which was introduced from 1 April 2019.

Customs duty and import VAT exemptions are available in certain instances:

- For imports of key parts and raw materials used for producing (i) Large hydroelectric generating set; and (ii) high power wind turbine generator systems or their components; this applies for machines with rated power exceeding 700MW and 5MW respectively. The treatment is available to eligible enterprises until the end of 2022.
- For imports of equipment used by companies operating wind power plants, where these have been designated as 'encouraged projects', as per lists set out by NDRC and the Ministry of Commerce. Where the company is foreign invested, a transfer of technology to the China subsidiary is required.

Local surcharges

Wind, solar, hydro and geothermic power enterprises should also pay local surcharges on top of their VAT liability, including city construction tax at the rate of 7%, 5% or 1% depending on the location of the enterprises, education surcharge at the rate of 3%, and local education surcharge at 2%. These cannot be refunded even where VAT is refunded under the above-mentioned 50% refund-upon-levy policy.

Land use tax

Land use tax shall be exempted for hydropower station land, except for those lands for power house (including power house inside and outside the dam), production, office and living.

Special tax regime

There is no special tax regime for wind, solar, hydro and geothermic power in China.

Costa Rica

Corporate Income Tax

In Costa Rica, legal entities that carry out lucrative activities from a Costa Rican source, are considered as corporate income taxpayers. In this sense, the country is characterized by a territorial taxation system, due to the concept of a Costa Rican source, with which profits generated from services rendered, assets located, or capital invested within the national territory are taxed.

In general, for all legal persons the tax rate should be 30%.

Taxation of Foreign-Source Passive Income

Exceptionally, a tax on passive income generated abroad is established, which will be taxed according to the rules of Chapter XI of the Income Tax Law. The general rate corresponds to 15%, allowing to credit taxes withheld abroad.

The tax would be levied to passive income (e.g., dividends, interests, or capital gains) from assets located or rights economically used outside the national territory, when: i) they are obtained by an "entity that is part of a multinational group" and ii) the entity is considered as a "non-qualified".

To this effect, a "test" of adequate economic substance is regulated to determine whether an entity is considered as qualified or not qualified, as well as the obligation to file an informative return.

Capital Gains Tax.

Capital gains derived from the sale of assets or rights should be subject to a 15% tax rate, or if the assets or rights were obtained prior to 1 July 2019, would be subject to tax at a reduced rate of 2.25% of the total amount. Nonetheless, if the assets or rights are linked to the business activity subject to Corporate Income Tax, the obtained capital gain should be subject to the 30% rate.

Value Added Tax (VAT)

The Law establishes a general tax rate of 13%. There is no preferential regimen applicable to wind farms.

The taxpayer has the right to use as a tax credit the VAT paid for the purchases of goods and services that are used for the purpose of their taxed transactions. However, it is important to mention that there are some exceptions to this rule that should be reviewed in detail.

In the pre-operational phase, the acquisition of goods and services directly related to the economic activity subject to the VAT, may be used in full as a tax credit in its first VAT return (D104), at the beginning of the operational phase, only if the taxpayer registration has

been completed and economic activity subject to the VAT begins within a maximum period of four years.

Transfer tax and real estate tax

The real estate tax corresponds to 0.25% of the value of the property (considering the land and buildings) registered by the Tax Administration from January 1 of the corresponding year. The fiscal year is annual, from January 1 to December 31 and the tax payment must be done annually, on a six-month basis or in four quarterly tranches, as it is determined by the Local Government. The taxpayer must declare, at least every five years, the value of their property to the Local Government where they are located.

Regarding the transfer of real estate tax, the tax rate is a 1.5% of the highest value between the following: real value of the transaction, value of the property accounted for in the records of the tax administration, and the market value. The transmitters and the acquirers are jointly and severally liable in the tax payment. In this sense, the tax must be paid within the first fifteen business days of the following month after the date of granting of the respective transfer document.

Local government taxes

Corporations that carry out commercial activities must pay a tax to the Local Government for the development of lucrative activities in their corresponding region. Each Municipality has its own particularities regarding the collection and payment of the tax. Additionally, the Municipalities charge fees for the municipal services provided in the region, such as garbage collection, public lighting, security, among others.

Legal Entities Tax

Registered legal entities must pay the Legal Entities Tax which has a progressive rate according to the following brackets:

a. Within the first year of operation, companies will pay 15% of a base salary (base salary for fiscal year 2024 is CRC 462.200,00 (USD 883 approximately)).

b. Income taxpayers that have declared a gross income in the immediately preceding fiscal year of less than 120 base salaries, will pay 25% of a base salary.

c. Taxpayers who have declared gross income in the immediately preceding tax period, in the range between 120 base salaries and less than 280 base salaries will pay 30% of a base salary.

d. Taxpayers who have declared gross income in the immediately preceding tax period, equivalent to 280 base salaries or more will pay 50% of a base salary.

This tax payment is not considered as a deductible expense for Corporate Income Tax purposes.

Dividends

The dividends distributions are subject to capital income tax at its 15% rate. In this sense, the distribution of disposable income in the form of dividends, social interests, and all types of benefits similar to dividends are considered as movable capital income. The taxable event is produced at the time the dividends are paid or are enforceable, whichever comes first.

When a capital company distributes dividends to another capital company that has an economic activity subject to corporate income tax, said distribution should be exempt from withholding tax.

Withholding Tax on Remittances abroad

Income or benefits from a Costa Rican source obtained by a natural or legal person domiciled abroad, is subject to non-residents tax. However, the Law covers some special cases that are taxed by the simple fact of having been paid or remitted a profit to non- resident beneficiary. For these purposes, the taxable event occurs when the non-domiciled income is paid, credited or is placed at the disposal of the non- resident.

There are different tax rates according to the nature of the payment: dividends 15%, professional services 25%, Insurance payments 5,5%, technical services, royalties, use of patents, trademarks, franchise and formulas 25%, among others.

Agreements to avoid Double Taxation.

Costa Rica has four agreements entered into force with Germany, Mexico, United Arab Emirates and Spain, to prevent double taxation, including corporate profits, dividends, interest, royalties, capital gains, salaries, among others.

Free Trade Agreements

Costa Rica has a solid platform for foreign trade, with more than thirteen Free Trade Agreements (FTAs) signed and enforced with Colombia, United States (CAFTA-DR), China, Singapore, Mexico, among others, through which favorable conditions for importation are established, as imports with zero or reduced tariffs.

Limitation on the deduction of non-bank interest applicable to CR operating companies.

Article 9 bis of the Income Tax Law establishes a limitation on the deduction of non-bank interest. This limitation applies as of the 2021 tax period. During 2021 and 2022 tax periods, the maximum deductibility will be thirty percent (30%) and it will be adjusted downwards each year by two percentage points until reaching twenty percent (20%) in tax year 2027.

When there is an amount of interests that cannot be applied as deduction in a tax year, it can be carried forward, provided that the limitation is met in all tax years. In this case, the corresponding deferred income tax should be registered by the taxpayer.

Income Tax Law establishes that interests incurred for financing public infrastructure should not be included under this limitation. Consequently, in case a wind energy project is considered of public nature, there should not be an interest limitation applicable.

Depreciation

With respect to the application of depreciation, this is an issue that is still under discussion before the Tax Administration, since there has been no consensus as to whether the term of the contract or the useful life of the asset should be applied as the depreciation term. Therefore, a particular study must be carried out for each specific case.

Application of losses as deductible expense

When in a fiscal period a company obtains losses, these will be accepted as a

Corporate Income Tax deductible expense in the following three periods. For such purposes, the taxpayer should register the corresponding deferred income tax.

Autonomous or Parallel Electric Generation

The Law No. 7593 "Law on the Costa Rican Public Service Regulatory Authority (ARESEP)" of August 9, 1996 establishes that "the Regulatory Authority will set prices and rates, and enforce compliance with standards of quality, quantity, reliability, continuity, timeliness, and optimum rendering of public services", specifically with respect to the generation, transmission, distribution, and sale of electric power. Such Law establishes that the public service of electric energy supply is a regulated activity that is out of the conventional trade, being the Costa Rican State the owner of the same.

In Costa Rica, Law No. 7200, " Law for the Authorization of Autonomous or Parallel Energy Generation ", regulates the two types of Autonomous or Parallel Electricity Generation through which private companies dedicated to electricity production may sell electricity to the Costa Rican Electricity Institute ("ICE" by its acronym in Spanish):

i. Plants of limited capacity (not exceeding twenty thousand kilowatts - 20,000 KW). Concession contracts entered under this modality may have a term of up to 20 years under the so-called BOO (build, Own, and Operate) agreements.

ii. Purchase of Energy under competition regime (up to fifty thousand kilowatts - 50,000 KW). These contracts may have a term of up to 20 years.

Also, they are subscribed as "Build, Operate and Transfer" or B.O.T. contracts, whereby the assets of the power plant in operation must be transferred, free of cost and encumbrances, to ICE at the end of the contract term.

From the signing of the concession contract, private companies or electricity generation cooperatives have a term of up to three years to start generating electricity.

Tax and other incentives and limitations

Project financing

The Law No. 7200 provides that the Central Bank of Costa Rica may authorize exceeding the maximum credit limit, in the case of loans granted by commercial banks for the development of the industries that have been selected, and for those who are interested in manufacturing the electromechanical equipment necessary for power plants with limited capacity.

For these purposes, the operations in question will be exempt from the provisions of article 61, subsection 5), of the Organic Law of the National Banking System, and article 85, subsection 1), literal b), of the Organic Law of the Central Bank of Costa Rica.

Exemptions on the importation of machinery and equipment.

According to Law No. 7200, private generators will enjoy exemptions on the importation of machinery and equipment for water conduction, as well as for "turbining", generating, controlling, regulating, transforming, and transmitting electric energy.

In this case, the import exonerations are only applicable with respect to tariffs, and not on national taxes such as Value Added Tax. For this exoneration to apply, the company must have a concession contract signed with ICE and ratified by ARESEP.

ICE must issue a technical recommendation so that the concessionaire company can sign an "Exoneration Contract" with the Treasury Department and the Ministry of Environment and Energy.

Moreover, the Law for the Regulation of the Rational Use of Energy (Law no 7447) indicates a list of equipment and materials (related to the generation of energy) that should be exempted from VAT, Excise Tax and Customs Value Tax on imported goods (Law No. 6946). In this regard, voltage and frequency control equipment for wind and hydroelectric generators are included in the list.

Croatia

Corporate income tax

Renewable power companies in Croatia are subject to the same corporate income tax rules that apply to other companies as well. Croatian corporate income tax statutory rate is 18%. Reduced rate of 10% may be applied for taxpayers with turnover below EUR 1.000.000,00. Tax base is the accounting profit / loss in line with the applicable accounting standards, adjusted for Corporate Profit tax ("CPT") purposes for non-deductible expenses and non-taxable income.

Some general rules which may be relevant for renewable power companies are briefly explained below.

Depreciation

Croatian tax legislation sets maximum tax deductible depreciation rates. If for accounting purposes the taxpayer uses lower depreciation rates, those need to be used for tax purposes as well, i.e. tax depreciation cannot be higher than accounting depreciation.

Maximum tax deductible depreciation rates that might apply to renewable power companies are as follows:

- Gear, rotor, generator and control equipment, energy and cooling plant and machinery 25%
- Towers, constructions, buildings, dams,pipelines, water reservoirs and power lines 5%
- Transformer and cables for connection to the power supply 10%

Land is not subject to depreciation.

The above prescribed depreciation rates may be doubled and considered as tax deductible provided the same is used for accounting purposes.

Impairment of assets is generally non-deductible, i.e. it represents temporary difference for corporate income tax purposes.

Tax losses

Tax losses can be off-set against taxable profits and carried forward for a period of 5 years. The earlier tax losses are set off before the later ones.

No provisions exist for the carry-back of tax losses. There are no tax grouping provisions.

Transfer pricing

In accordance with Croatian transfer pricing legislation, prices and other conditions agreed between related persons (of which one is a resident and the other is a non-resident) are recognized for tax purposes if they correspond

to the prices and other conditions that would be agreed between independent persons (the arm's length principle). If such prices and other conditions do not conform to the arm's length principle, the Croatian Tax Authorities ("CTA") may make an adjustment.

Taxpayers in Croatia are required to submit, together with the annual tax return, a Report on business transactions with related parties (PD-IPO form). Furthermore, taxpayers are required to provide information on related persons, their business operations and methods used to determine an arm's length price (i.e. transfer pricing study) upon the CTA's request. If a taxpayer does not have a transfer pricing study, the CTA will give the taxpayer reasonable time to prepare the required documentation, without imposing penalties.

Exit

Sale of shares by a Croatian resident company are treated as any other revenue in terms of CPT. Furthermore, if a seller is Croatian tax resident individual, the transaction will be subject to capital gain tax at the rate of 10% increased for surtax. An exemption may apply to individuals for the sale of shares if they have held shares for at least two years.

Croatia does not apply capital gain tax on non-residents who sell shares of a Croatian resident company.

Extra profit tax (applicable for 2022)

On December 23, 2022, Law on Extra Profit Tax entered into force that was prompted by the EU Regulation on an emergency intervention to address high energy prices. The Extra Profit Tax is applicable in fiscal year 2022 to all corporate taxpayers with a total income exceeding HRK 300 million (approximately EUR 40 million) in that year, regardless of their business activity, including also wind power companies. Extra profit is calculated as the taxable profit in accordance with the corporate tax law that is above 20 percent of the average taxable profit of the preceding four fiscal years (i.e. 2018 to 2021.) The Extra Profit Tax rate is 33%.

VAT

Statutory VAT rate in Croatia is 25%, and reduced VAT rates are 13% ,5% and 0%. Reduced VAT rate of 13% is applied on supply of electricity. A 0% rate is applied on the supply and installation of solar panels on private dwellings, residences and public (B2C) and other buildings used for activities of public interest and the supply and installation of solar panels in the vicinity of such buildings, premises and buildings. It must be noted that a VAT rate of 25% is applied to the transport of solar panels as transport services are not considered to be taxable at a VAT rate of 0%.

The Croatian VAT system is based on the invoice deduction method, under which taxable persons deduct the VAT invoiced by other taxable persons from their VAT liability arising from taxable transactions carried out. Input VAT is only deductible if the goods and services acquired are used for the purpose of carrying out taxable transactions, while for exempt supplies of goods or services the taxable person is not entitled to deduct input VAT.

Generally, the liability to remit VAT to the CTA falls on the person who makes a supply of goods or services. However, in certain circumstances, the VAT due should be remitted by the recipient through the "reverse charge mechanism".

Domestic reverse charge mechanism

Croatian legislation foresees a domestic reverse charge mechanism for certain transactions including:

- construction services (such as construction of a windmill)
- supply of certain real estate
- supply of concrete, steel and iron and products of concrete, steel and iron

In the domestic reverse charge mechanism, VAT is self-assessed by the acquirer instead of the supplier which is generally the case. Since the acquirer is also entitled to deduct VAT, there will be no impact on cash flow.

VAT refund

Entities may be in VAT receivable position if the receivables exceed the VAT liability. In this case, the entity may claim a VAT refund from CTA. The CTA should refund the VAT within a period of 30 days from the day of submission of VAT return. In case of a tax inspection, the CTA should refund the VAT within a period of 90 days from the first day of the tax inspection.

A request for a VAT refund may give raise to a VAT inspection.

Withholding tax

Croatian companies are required to make withholding on certain payments to non-residents. The applicable withholding rate will differ depending on the nature of the payment (dividend, interest, royalties, etc.) and the country of residence/effective management of payment receiver.

The following payments are, in general, subject to withholding tax in Croatia – dividends, interest and royalties.

The withholding tax rate is 15% for all payments except dividends for which a rate of 10% applies. If the payment is made to a company with residence or effective management in a country that is listed by EU as non-cooperative country, a withholding tax rate of 25% applies, regardless of nature of the payment.

Other

Taxation of real estate

There is no real estate tax in Croatia. However, the owner of construction land or business space, regardless of economic activity, may be liable to utility charges. Eventual application and rate for utility charges is prescribed by each local municipality for all construction lands and/or business spaces on its territory.

Acquisition of a real estate (land and buildings) is subject to real estate transfer tax ("RETT") of 3% if such real estate is older or used for more than 2 years. RETT is payable by the acquirer and cannot be recovered. In some cases, it is possible to opt for VAT when acquiring a real estate.

There are announcements that a new RETT will be introduced in Croatia. However, these changes are not yet included in Croatian legislation.

If real estate is not used or older for more than 2 years, VAT of 25% applies.

Exceptionally, construction land is always subject to VAT of 25% rate.

Excise duties

Excise duties are charged on the electricity supply to end users, regardless of whether they are commercial or non-commercial users (or even self-used). Excise duty liability arises at the time of the supply to end users. The supplier of electricity is responsible for reporting and paying excise duties.

Exemption from excise duty applies on the production of electricity from renewable sources, such as wind, water and solar panels, for own consumption.

Excise duty rate is calculated per megawatt hour supplied and it depends on characteristics of user as follows:

- 0.50 EUR per megawatt hour for commercial users
- 1.0 EUR per megawatt hour for non-commercial users

Denmark

Corporate income tax

Renewable energy companies specializing in wind power, solar and hydro power generation in Denmark are subject to corporate income tax, currently 22%. Somewhat simplified the tax base is in principle determined in accordance with the ordinary tax principles that apply for other companies as well.

As such, renewable energy companies are generally subject to tax on all income and are only allowed deductions on expenses that are related to the operations of the company.

According to Danish tax law, a company incorporated in Denmark is taxed in accordance with the territoriality principle in the sense that income from permanent establishments as well as real estate located abroad are excluded from the Danish tax computation. Non-resident companies are taxed only on profits from income sourced in Denmark.

Although renewable energy companies are subject to ordinary tax principles that apply for other companies as well, there are some provisions, which may be relevant for renewable energy companies, particularly with respect to depreciations.

Depreciations

Fixed assets in for example, solar and wind parks or hydro establishments are as a starting point allocated to the "ordinary" depreciation groups, which means that an allocation of investment costs should generally be made between:

General	• **Buildings and installations:** Up to 4% annual depreciation using a straight- line method. This may be towers and buildings. • **Infrastructure facilities:** such as facilities used for transporting, storing and distribution of electricity, water, heat, oil, gas and wastewater (up to 7% annual depreciation using a declining-balance method).
Wind energy systems	• **Operating equipment:** Up to 25% annual depreciation on a pool basis using the declining-balance method. This includes for example: Windmills, including gear, rotor, generator, control equipment, transformer and cables for connection to the power supply. • **Large windmills with a capacity over 1 MW with depreciations basis chosen at 115%:** Up to 15% annual depreciation using the declining-balance method.
Solar energy systems	• **Operating equipment:** Up to 25% annual depreciation on a pool basis using the declining-balance method for Non-integrated Solar cell systems with a capacity under 1 MW. • **Solar cell systems with a capacity over 1MW:** Up to 15% annual depreciation using the declining-balance method. • **Factory and Warehouse Buildings:** Solar cells that are an integral part of the building's structure can be depreciated at up to 4% annually. • **Older Buildings:** Expenses for integrated solar cell installations are considered part of renovation costs, which can be immediately expensed in full or partially. • **Office Buildings:** Solar cell installations on office buildings are depreciated as installations at up to 4% annually
Hydrocarbon establishments	The new 2023 legislation updated depreciation rules for hydrocarbon facilities that have been repurposed for CO2 storage: • Allows for full depreciation to be applied to facilities that are used for both hydrocarbon and CO2 storage. • It is also possible to fully depreciate improvements made to hydrocarbon facilities for CO2 storage.

Depreciations for grid connection costs

As of 1 January 2023, Danish developers of solar parks and onshore wind farms have been required to cover grid connection costs themselves, resulting in a notable increase in their start-up expenses. However, new tax rules have offered some relief in the form of the option to depreciate grid connection costs by up to 20% annually, provided that these costs are essential for commercial operations.

Wind power companies

Depreciation

As mentioned above, the depreciation allowance for windmills is generally up to 25%, however, it should be noted that for windmills acquired after 1 January 2013 with a capacity of >1MW the depreciation allowance is up to only 15% on a yearly basis using the declining-balance method. Such windmills are depreciated on a pool basis together with other renewable energy facilities, cf. above.

For Danish tax purposes, the company is allowed to commence depreciating on e.g. windmills once the windmills are in such condition that they may be part of the operations of the company.

Offshore wind

Denmark has a number of operative offshore wind farms, including a number of offshore wind farms currently under construction.

The established offshore wind farms are listed below, including the year of establishment, number of windmills as well as MW per wind farm:

- Tunø Knob (1995) 10 windmills, 5 MW
- Middelgrunden (2000) 20 windmills, 40 MW
- Horns Rev I (2002) 80 windmills, 160 MW
- Rønland (2003) 8 windmills, 17,2 MW
- Nysted (2003) 72 windmills, 165,6 MW
- Samsø (2003) 10 windmills, 23 MW
- Frederikshavn (2003) 3 windmills, 7,6 MW
- Horns Rev II (2009) 91 windmills, 209,3 MW
- Avedøre Holme (2009/10) 3 windmills, 10,8 MW
- Sprogø (2009) 7 windmills, 21 MW
- Rødsand II (2010) 90 windmills, 207 MW

For companies subject to the Tonnage Tax Act, the Danish Parliament adopted a bill in December 2015 to amend the Tonnage Tax Act to cover activities from various special purpose vessels to be included under the tonnage tax regime. The new activities under the expansion of the regime include, inter alia, the following:

- Building, repair and dismantling of offshore wind farms, oil installations (the latter: only outside DK) or other offshore installations.
- Housing of employees, spare parts, or workshop facilities in connection to offshore operations (should not cover a rig as it is not considered a vessel)
- Activities related to guard service (e.g. in connection with cable laying and other non-fixed installations)

The amendments were subject to approval from the European Commission due to state

aid rules and such approval was provided 12 October 2018. However, although finally approved by the European Commission, the amendments have not yet entered into force, as final execution still awaits confirmation from the Danish Ministry of Taxation. At this stage, it is not clear when the amendments will come into effect.

Tax Liability for Activities within Denmark's Exclusive Economic Zone beyond its territorial waters

In June 2023, the Danish Parliament enacted significant amendments to various tax laws as part of Denmark's broader environmental goals.

The legislation provides for limited tax liability for entities and individuals engaged in the establishment, operation, and utilization of artificial islands, installations, and facilities within Denmark's exclusive economic zone, beyond its territorial waters (12 nautical miles). This encompasses activities related to:

- Offshore wind farms
- Energy islands
- CO2 storage in hydrocarbon facilities
- Work involving pipelines and cables.

It should be noted that these activities have the potential to create a permanent establishment for tax purposes. In addition, foreign individuals working on such projects are subject to Danish tax if employed by Danish entities or if present in Danish territory for more than 183 days within a 12-month period.

Furthermore, hired-out foreign labor involved in these activities is also subject to Danish tax. However, activities solely involving the transit of underwater pipelines and cables through Denmark's exclusive economic zone remain exempt from Danish tax.

Real estate taxes

Danish registration duty of DKK 1.750 plus 0.6% of the value applies to registration of transfers of land and real estate. For Danish tax purposes, a windmill would not as such be considered as real estate, however, according to Danish tax practice, a windmill transferred as part of e.g. piece of land would be subject to variable 0.6% registration duty.

Estonia

Corporate income tax

In Estonia, corporate income tax is not levied when profit is earned but when it is distributed. In 2024, the standard rate is 20% (calculated as 20/80 of the net distribution), however on 1 January 2025, Estonia will introduce a standard income tax rate of 22% instead of the current 20%. Corporate income tax will be calculated on the basis of a 22/78 ratio instead of the current 20/80 ratio. In addition, the preferential tax rate of 14% on regularly distributed corporate profits and the related 7% withholding tax on dividends paid to individuals will be abolished.

Wind power companies in Estonia are subject to the same corporate income tax rules that apply to all other companies. Companies are generally subject to tax on all income and are only allowed deductions on expenses that are related to the operations of the company.

CIT deductible expenses

All certified expenses incurred by a taxpayer in relation to business during a period of taxation may be deducted from the taxpayer's business income.

Expenses are related to business if they have been incurred for the purposes of deriving income from taxable business or are necessary or appropriate for maintaining or developing such business and the relationship of the expenses with business is clearly justified, or if the expenses arise from the Occupational Health and Safety Act.

Withholding tax on payments to non-residents

In Estonia, withholding tax is imposed on the following payments made to non-residents:

• interest	0%,	22%*
• royalties	0%,	10%**
• fees for services provided in Estonia	10%	
• rental payments	22%	
• dividends until the end of 2024 (if subject to CIT calculated as 14/86 of the net dividend)		7%***

* 22% rate applies to interest exceeding the market interest rate.

** In certain cases, outbound royalty payments are exempt from withholding tax provided that the recipient is an associated company of the paying company and is a resident in another EU Member State or Switzerland, or such a company's permanent establishment situated in another Member State or Switzerland.

*** Withholding obligation applies when dividends are paid to natural persons.

Transfer pricing

If the value of a transaction conducted between associated persons (including transactions carried out between the head

office and its permanent establishment) differs from market conditions, the difference is subject to income tax. Qualifying companies must document their transactions with associated parties to prove that the prices applied are at arm's length.

Special tax regime

There are no specific tax reliefs or tax incentives for companies involved in the construction or operation of wind power assets in Estonia.

VAT on supply of electricity

The sale of electricity generated by wind power entities is considered as a provision of goods for Estonian VAT purposes and subject to standard VAT rate of 22%.

Entitlement to recover input VAT

A VAT liable person is entitled to recover input VAT incurred on costs insofar as the acquired goods and/or services are used for VAT taxable activities. This includes input VAT on costs incurred during the development phase of a windfarm, insofar as the taxable person can substantiate that it has the intention to carry out VAT taxed activities in the future.

Taxation of real estate (land tax)

There is no real estate tax in Estonia.

Land tax is imposed on all land, except certain areas, like public land and public water bodies. The rate of land tax is 0.1 to 2% of the taxable value of land and it must be paid annually. Land tax is a tax based on the taxable value of land calculated by the Estonian Tax Authority on the basis of information received from the corresponding local government and it is fully paid into the local government budget.

Reverse auction and state support

Based on the Electricity Market Act, support up to 0,0537 euro for each kilowatt-hour is paid for up to 12 years starting from commencement of generation to the winners of reverse auctions, for electricity produced by generating installations that use a renewable energy source.

Possible changes – ongoing legislative process

There are a few changes being currently processed by the Parliament:

- The Government has decided to establish security tax in Estonia. The relevant bill is currently being processed by the Parliament. Based on the bill, 2% security tax would be applied on the annual profit of the company and the security tax should be applicable to the period of 2026-2028. The tax would be collected in advance payments (quarterly payments) and the first payment must be done in the third quarter of 2016. The final amount of the security tax (of which the advance payments are deducted) must be paid by September 10 of the next financial year.

- The same bill also includes an increase of VAT rate. Namely it is considered that starting from July 2025 the rate would be 24% and that starting from January 2029 it would be reduced to 22% (the current rate).

These proposed changes are not yet approved by the Parliament, however the approval should probably take place this year.

Finland

Corporate income tax

The corporate income tax rate is 20%. Therefore, a Finnish tax resident corporation involved in wind production is taxed as any other corporation: the corporate income tax is 20% of the taxable income. For tax depreciation purposes, the wind power plant is divided into components on basis of the different tax depreciation categories: the tower itself (the frame body and the engine room) is treated as a construction whose maximum annual depreciation is 20% and the rotor, gear box and generator are treated as movable fixed assets whose maximum annual depreciation is 25%.

Special tax regime

Real estate tax

The real estate tax is payable on all kind of land and land related rights, buildings, constructions and other fixtures on land (=real estate). Wind power plants are regarded as constructions for real estate tax purposes but the chattels/non-fixed parts of the wind power plant, e.g. the engine, gear, generator etc, are not subject to real estate tax. The tax base for real estate tax is calculated on basis of the value of the real estate (wind power plant + land).

The values are schematic and derived mainly from databases upheld by different authorities:

- The value of constructions. In 2022, the initial value of wind power plant for real estate tax purposes was 75% of its building cost (excluding the abovementioned chattel/non-fixed parts). The initial value is deducted by the annual age discount, which is 2.5% (however, the value cannot drop below 40% of the abovementioned 75%) and the result will form the actual tax base. Where the construction is not ready, the value is calculated on basis of the degree of completion. The real estate tax rate for constructions depends on the municipality where the real estate is situated, but usually it is approx. 0-3.1%.
- The value of the land. The authorities maintain databases on land values per square meter all over Finland. This schematic value is multiplied for real estate tax purposes either by the actual land's area square meter size or planning permission's square meter size, which will form the initial tax base. If the wind power plant is on agriculture or forestry area, the presumption is that the size of the land reserved for the wind power plant is 2000 square meters because forestry

and agricultural land are not subject to real estate tax. The actual tax base is the product of the abovementioned initial tax base multiplied by 75% (the formula follows the logic of the value of constructions). The real estate tax rate for land depends on the municipality where the real estate is situated and it varies between 1.3-2%.

Proposals related to the real estate and income taxation of offshore wind

The Finnish Government has issued two proposals related to the real estate taxation valuation and to the legislation governing real estate and income taxation for offshore wind power. The objective of the first proposal is to replace current outdated building values with basic values based on average construction costs updated annually with a construction cost index, and overall, bring the tax base values up to date and closer to fair market values. The second goal of the proposal is to create a new area price map for determining land property values nationwide. The objective of the latter proposal is to ensure Finland's taxation rights over activities conducted in the exclusive economic zone and to ensure that real estate and income taxation within Finland's economic zone aligns with the taxation of offshore wind power within Finland's territorial boundaries.

France

Corporate income tax

The SPVs that operate onshore and offshore wind turbines, solar installations, hydro and geothermal power generation in France are subject to Corporate Income Tax (CIT) under the standard tax regime.

CIT rates

The CIT rate applicable to the French companies for the FY opened as from January 1, 2022 and onwards equals to 25%.

A social contribution is payable by legal entities subject to CIT, either automatically or by option, and whose CIT exceeds €763,000. The contribution is equal to 3.3% of the reference corporation tax less an allowance of €763,000 per twelve-month period.

In practice, only the portion of the CIT exceeding EUR 763,000 will be subject to the 3.3% additional social contribution.

The Financial Finance Bill for 2025 currently discussed at the French Parliament' level provides the introduction of temporary surtax on corporate income tax applicable to the largest companies with significant profits. The large companies with sales revenues equal or over EUR 1 billion would be subject to an exceptional contribution in 2024 and 2025.

The exceptional contribution would be assessed on the company's corporate income tax, before deducting any tax reductions, credits and receivables. Its rage would vary based on the company's sales and the financial year in question:

Applicable tax rate by FY	Companies with a sales revenues equal or over EUR 1billion	Companies with a sales revenues equal or over EUR 3billion
FY 2024	20.6% (ETR30.97%)	41.2% (ETR36.125%)
FY 2025	10.3% (ETR28.4%)	20.6% (ETR30.975%)

Tax losses

As a general principle, tax losses can be carried forward without any time limit provided that events which would be characterized as a substantial change of activity or as a discontinuance or cessation of activities do not occur at the level of the company that incurred said tax losses.

The tax loss carried forwards can be carried forward without any time limit, however they can only be offset (i) with no limitation up to 1mEUR and (ii) for up to 50% of profits exceeding this threshold (i.e., a minimum taxation of 50% of profits exceeding 1mEUR).

CIT deductible expenses

Expenses are tax deductible if the following cumulative criteria are fulfilled:

- If the concerned expenses are incurred in relation with the business interest of the company or derive from the normal management of the company;
- If they are evidenced and effectively incurred by the company;
- If they are comprised in the accounts of the Financial Year during which they were incurred by the company;
- If the tax deductibility of costs is not expressly denied by law.

Deductible expenses include all expenses connected with the day-to-day operations of the company such as in principle:

- Lease payments;
- All the expenses which cannot be considered as an accessory of the fixed assets;
- Salary expenses and related social security, insurance and pension contributions,

- Taxes (such as local taxes, being noted that the CIT is not tax deductible)
- Financial expenses (it being noted that several tax rules limit the tax deductibility of said financial expenses, notably maximum interest rate limitation, thin-capitalization rules -ATAD 1 and anti-hybrid rules – ATAD 2)
- Amortization and depreciation
- O&M expenses

Specific provisions for dismantling costs have to be recorded by the companies that operate renewable assets. Said provisions are recorded in the balance sheet. The tax deductibility is realized through the depreciation of the asset recorded in counterpart of the specific reserve booked as liabilities.

Special tax regime

Article 39 A.1 of the French Tax Code provides that, in certain cases and for limited fixed assets, entities can apply a declining method ("amortissement dégressif"). This means that, at the beginning of the depreciation period, they can deduct, from a tax standpoint, a tax depreciation higher than the accounting depreciation assessed on the straight line method.

Declining-balance depreciation is allowed for certain new and renovated assets whose useful life is in excess of three years.

As equipments which produce energy, can be depreciated under the declining balance method as provided for by Article 39.A.1 of the FTC.

The depreciation rate applied in the case of the declining balance corresponds to the straight line depreciation rate multiplied by a specific ratio. The applicable ratios are:

- 1.25 for equipments depreciated over a 3 or 4 years period;
- 1.75 for equipments depreciated over a 5 or 6 years period;
- 2.25 for equipments depreciated over a period exceeding 6 years.

Local and specific taxes

French companies that run renewable installation are subject to several local taxes (e.g.; property tax, "Cotisation sur la Valeur Ajoutée des Entreprises - CVAE" and "Cotisation foncière des Entreprises") as all the French companies.

CVAE

The CVAE is due by all companies liable to CFE with revenues exceeding EUR152 k and that perform their activity on 1 January of the taxation year. The tax rate depends on the turnover generated by the taxpayer during the taxation year.

The added-value is generally defined as the net surplus of production over the consumption of goods and services.

The Finance Act for 2023 provided for (i) a decrease of the CVAE rate, which has been halved (the marginal rate of 0.75% has been reduced to 0.375%), and consequently in the CET capping rate, and (ii) for the abolition of the CVAE as from 2024.

The Finance Act for 2024, provide for the total abolition of the CVAE to be spread over four years, to be fully effective as from 2027 (being noted that companies subject to the minimum contribution should nevertheless benefit from the abolition of the CVAE as from 2024). At the same time, the value-added cap on the CET would be progressively reduced, also over four years. From 2027 onwards, this ceiling would only apply to the CFE.

The Finance Bill for 2025, currently under discussion, should postpone once again the abolition of the CVAE. The CVAE rates would remain at the 2024 level from 2025 to 2027 to be reduced to 0.19% in 2028 and 0.09% in 2029, before reaching 0%. Furthermore, for CET due for the period 2024 to 2027, the capping rate would be set at 1.531%, for 2028 to 1.438%, for 2029 to 1.344% and as from 2030 to 1.25%.

Property Tax and "Cotisation Foncière des Entreprises »

Only the assets having a real estate nature (e.g., foundations, technical building used for the transformation of the electricity) fall within the scope of Property Tax and CFE. The amount of these taxes depend on the tax rates voted by the authorities where the assets are located.

Specific tax for certain categories of renewable assets – "Imposition sur les Entreprises de Réseau – IFER »

Companies producing electricity by operating certain equipments are liable to a specific flat tax provided that their installed electrical power output is higher than 100 kW as follows:

IFER Tariff in Euro per KW	2024
Wind assets	8,36
Solar assets connected to the grid before January 1, 2021	8,36
Solar assets connected to the grid after January 1, 2021 (Application during a 20-year period)	3,476
Hydroelectric power plants	3,479
Geothermal powr plants	25,66

Specific tax for offshore wind turbines

Specific taxes are applicable to companies that operate offshore wind turbines. For example, in 2024, the yearly tariff of the specific tax on the maritime wind turbine amounted to EUR 19,890 per MW installed. In counterpart, they are exempted from certain local taxes, it being noted that for the time being no offshore wind turbines currently operate in France (parks still under construction).

Specific windfall tax

As from 1 July, 2022 and until 31 December 2024, the French companies running assets allowing the production of electricity are subject to a contribution on the "infra-marginal rent" of electricity producers.

The contribution is due on the infra-marginal rent of electricity installations that meet the four following cumulative conditions:

- The installation is located in Metropolitan France;
- The electricity is not produced out of certain technologies for example, the combustion of various gases (e.g., coal gases, water gases, lean gases, etc.);
- The installation is not an electricity storage unit;
- The installation is not supplying electricity to a "small" electricity network (< 3.000 GWh of electricity consumed per year and which can be linked to other networks for up to 5% of its annual consumption).
- Businesses for which the cumulative capacity of their power plants does not exceed 1 MW are exempted from the windfall contribution.

The windfall contribution is levied on electricity producers in France and is equal to the amount of revenue exceeding defined threshold amounts per megawatt hour (margin), reduced by 50% allowance for the 2024 and leading to an effective taxation of 50% of the positive margin.

Specific Tax credits for green industries

In force as from September 2023, a specific tax Credit for Investment in Green Industry (C3IV) has been put in place in order to accelerate the establishment of production sectors specialising in decarbonisation technologies in France.

In order to benefit from said C3IV, the French company should be involved in the production of equipment, of essential components and of raw materials relating to four key sectors of the energy transition: i.e., batteries, solar panels, wind turbines and heat pumps.

The C3IV rate varies from 20% of the eligible investment expenditure, up to a maximum of €150 million, and up to 60% and €350 million depending on company size and location.

This C3IV is deductible from corporate income tax, or immediately repayable if no basis for deduction exists. However, this credit is limited to investment plans approved by the French Tax Authorities by December 31, 2025, at the latest.

Germany

Corporate income tax

The profits / income of a corporation owning and / or operating renewable energy assets (located in Germany including the continental shelf / EEZ) are subject both to trade tax ('Gewerbesteuer', which is a local tax imposed by the communities) and corporate income tax ('Körperschaftsteuer', which is a federal tax) plus solidarity surcharge.

The local trade tax rate varies between approx. 7% and approx. 19%. The average trade tax rate in Germany can be estimated to be approx. 15%. The trade tax payments need to be allocated to the different communities in which the business of the corporation is carried out. There is a special rule for entities owning renewable energy assets which – in simple terms – shall ensure that a big part of the trade tax payments needs to be made to the community in which the wind farm / solar farm of the corporation is located.

The standard corporate income tax rate is 15% and it is increased by the solidarity surcharge of 5.5% which effectively results in a rate of 15.83% (i.e. 15% corporate income tax rate plus 5.5% solidarity surcharge thereon).

Therefore, in total, the German tax rate on profits / income of the corporation (including trade tax, corporate income tax and solidarity surcharge) may be approx. 30%.

Payments from the corporation to its shareholders (dividends etc.) may be subject to German withholding tax at a rate of up to 26.375% (standard WHT rate of 25% plus 5.5% solidarity surcharge thereon) but tax reductions or exemptions may apply, e.g. based on applicable double tax treaties or the EU-Parent-Subsidiary-Directive.

Taxation of German partnerships

Windfarms located in Germany are often operated in the form of partnerships to which special rules apply under German tax law. A partnership is considered transparent for corporate income tax purposes. Therefore, the taxable income is determined at partnership level and the partnership is liable to pay the trade tax on that income. However, only the partners themselves are subject to corporate income tax on the determined taxable income (provided the partners are corporations). In addition, inter alia the following rules apply for partnerships:

- Start-up losses: Expenses of a partnership incurred during its start-up phase, i.e., between its formation and the actual opening of the business are disregarded for trade tax purposes.
- Change-of-control rules: A partnership's trade tax losses carried forward forfeit by a change of control in the partner's interest. In addition, if a corporation owns interest

in a partnership, the partnership's losses are also subject to the change of control rules for corporate income tax purposes.

Real estate transfer tax

The wind power plant itself is qualified as an operating business facility and is not subject to real estate transfer tax (RETT) in Germany. In case the land on which the wind power plant has been built is transferred, RETT of 3.5% to 6.5% (depending on the federal state in which the land is located) of the purchase price paid for the land is triggered. Further, generally, in case at least 90% of the shares in a corporation or partnership which owns the wind power plant including the land are transferred within a period of 10 years to new shareholders, RETT is also triggered on the tax value (standard land value) of the land. This even applies in case of indirect changes of shareholders of companies or partnerships owning German land and buildings, determined by a special valuation scheme.

Special tax regime

The support of the renewable energy industry in Germany is actually not incentivized by tax reliefs but achieved by other mechanisms. For example, Germany has been the first country in the world to introduce guaranteed feed-in tariffs for renewable energy and there are certain exemptions and incentives for the industry in the area of indirect taxation (energy tax etc.).

In the field of corporate income tax and trade tax, Germany currently does not in particular offer any favorable tax regimes (i.e. no reduced tax rates) or tax incentives (i.e. no special tax depreciations for "green assets" etc.) for corporations owning and / or operating renewable energy assets.

For fees paid to succeed in German Offshore wind auctions, the tax authorities tend to treat those cost as incremental acquisition cost that have to be depreciated over the useful lifetime of wind farms (currently 16 years) once the windfarm construction has been completed (latest at COD).

Electricity tax

By generating electricity from wind power, it has to be evaluated whether electricity tax obligations are with the operator of one or more wind turbines.

Electricity is generally subject to a tax rate of 20.50 €/MWh in Germany and arises when the electricity is taken out of the supply network by an end consumer. Whether the generated electricity is subject to electricity tax and subsequently a tax declaration is to be submitted depends on to whom the electricity is delivered or for what purpose it is consumed.

Specific permits from a main customs office are required for the generation and supply of electricity. Electricity from renewable energy sources, such as wind power, may be eligible for tax relief but only under certain preconditions.

Electricity that is required by the wind turbines themselves in the technical sense may be exempted from electricity tax. This requires either a specific permit from the main customs office or a separate application for relief from electricity tax.

In order to apply for relief from electricity tax, the Electricity Tax Ordinance provides for a flat rate of 0.3 percent of the gross electricity production of the respective electricity generation plant. However, the tax relief is only granted upon a specific application which is subject to a statutory deadline.

Greece

Corporate income tax

The SPVs that operate onshore wind turbines are subject to Corporate Income Tax ("CIT") under the general standard tax regime. According to the general provisions of Greek tax legislation, all types of income of legal entities, including capital gains, are considered income from the carrying out of business activities and are taxed after the deduction of qualifying business expenses, depreciation, as well as tax losses carried forward from previous years and withholding taxes that have not exhausted the legal entity's final tax liability. The CIT rate for all types of Greek legal entities is currently 22%. CIT advance payment applies, equal to 80% of the tax corresponding to the revenues of the fiscal year for which the CIT return is filed (reduced by 50% for the first three (3) fiscal years of business operations).

Tax Losses

Tax losses can be carried forward for five (5) consecutive years in order to be offset against future business profits. Loss carry back is not permitted. The right to carry forward tax losses is lost in case the shareholding ownership status changes by more than 33% and the business activities of the entity are altered by more than 50% in the same and/or subsequent year of the year of ownership change.

Deduction of Expenses

In general, the expenses of a company may be deducted from its taxable income for CIT purposes as long as the following conditions are cumulatively met: (i) they are carried out in the interest of the company and / or in the course of its ordinary business, (ii) they relate to actual transactions whose value is neither lower nor higher than respective market value based on information available to the tax administration, (iii) they are duly and properly recorded in the company's books in the year in which they were incurred, (iv) they are supported by relevant tax records/adequate supporting documentation (e.g. invoices), and (v) they are not included in a list explicitly determining non-deductible expenses.

Certain expenses benefit from increased deductibility. For instance, the CIT deductibility of R&D expenses is increased by 100% (and, under certain circumstances, by 150% and even by 200% or 215% for very small, small and medium enterprises). The deductibility of expenses relating to green economy, energy and digitalization of small and medium-sized businesses is also increased by 100%.

Interests Expenses

Deductibility Interest expenses should meet the general deductibility conditions laid out above in order to be considered deductible for Greek CIT purposes. However, there are

several additional rules that may limit the tax deductibility of interest expenses (e.g. arm's length interest rate for intergroup loans, and specific limitations for loans other than bank loans and corporate bond loans). Greek thin capitalization rules also apply to all loans. In particular, the net interest expenses (i.e. interest expense minus any interest income) are deductible up to a cap that is determined as the higher between EUR 3 million per year and the 30% of tax EBITDA following GAAP adjustments. Any amount not allowed for deduction based on thin capitalization rules may be deferred for deduction and be offset against future taxable income in the following years without any time constraints. Deviation from the above rules may apply to entities, which are members of a consolidated Group for accounting purposes.

Depreciation (amortization) of Fixed Assets

Costs connected to the construction of wind parks may be considered fixed assets that can be amortized subject to the conditions introduced by the Greek tax provisions. Greek tax legislation provides for mandatory annual tax-deductible depreciation of fixed assets based on standard depreciation rates, e.g. 4% for buildings, 10% for equipment/ machinery etc., calculated on the acquisition cost of fixed assets. Expenses for the acquisition of fixed assets, that are directly related to them (e.g. cost of renovation, reconstruction, notary public expenses, etc.) are included in the acquisition cost of the relevant asset (Capitalized) and subject to tax depreciation. Depreciation is not calculated on the acquisition cost of the land (i.e. land is not depreciated). Depreciation is affected by the owner of the fixed assets or the lessee in case of a financial lease agreement. The

transfer of depreciated amounts between fiscal years is not permitted. For new fixed assets, depreciation begins from the following calendar month from which they are put into operation and is estimated to be as many twelfths as there are months until the end of the fiscal year. Newly established entities may defer the depreciation of their assets for the first three (3) years. Ultimately, the depreciation rate of an asset depends on its classification according to which such asset is recorded for depreciation purposes in the company's accounting books.

KPMG

Transfer Pricing obligations for Intra-group transactions

Charges for intra-group transactions must comply with the arm's length principle (the relevant rules apply and are interpreted according to the OECD Transfer Pricing Guidelines). An obligation to prepare a Transfer Pricing Documentation File and to file a Summary Information Sheet exists provided the total value of intra-group transactions exceeds:

- EUR 100 000 cumulatively per tax year if the gross revenues of the taxpayer do not exceed EUR 5 000 000 for the tax year under review, or
- EUR 200 000 cumulatively per tax year if the gross revenues of the taxpayer exceed EUR 5 000 000 for the tax year under review.

The Documentation File must be prepared and the Summary Information Sheet must be submitted by the end of the deadline for the submission of the company's annual Corporate Income Tax Return. Upon a tax audit, the Transfer Pricing Documentation File must be submitted to the Tax Administration within 30 days from relevant request.

The possibility to have Advance Pricing Agreements (APAs) exists for cross border intra-group trans-actions. The APA may be unilateral, bilateral or multilateral.

Greece has transposed into national law the OECD's BEPS Action 13 according to which multinational groups, whose consolidated annual group revenues exceed EUR 750 million, have Country by Country (CbC) reporting and/or notification obligations within strict deadlines. Moreover, by virtue of a new Greek law, Directive (EU) 2021/2101 regarding the public reporting of income tax information by certain enterprises that belong to multinational groups or by certain standalone enterprises and branches, was incorporated into Greek legislation (Public CbCR).

WHT framework

<u>WHT on dividend payments:</u>
Dividend distributions by Greek legal entities are in principle subject to 5% WHT. A more beneficial WHT rate may be introduced by respective Double Tax Treaties. Moreover, a WHT exemption may apply under the conditions of the EU Parent Subsidiary Directive (PSD).

<u>WHT on interest payments:</u>
The domestic WHT rate on interest payments is 15%. Interest payments from bank loans are exempt from Greek WHT. A more beneficial WHT rate may be introduced by respective Double Tax Treaties. Moreover, a WHT exemption may apply under the conditions of the EU Interest-Royalties Directive (IRD)

<u>Capital gains:</u>
Capital gains arising from the sale of shares in a Greek entity are in principle taxable in Greece. However, capital gains earned by foreign legal entities with no permanent establishment in Greece from the sale of shares in a Greek legal entity are exempt from income tax in Greece. Moreover, exemption from taxation of the above gains may also apply based on the Greek participation exemption rules.

Real Estate Taxes

Real Estate Transfer Tax (RETT):
The acquisition of plots of land and buildings not qualifying as new is subject to RETT and a municipality surcharge at the effective rate of 3.09% on the higher between the purchase price and the objective tax value of the property.

The sale of buildings may be subject to 24% VAT, also burdening the purchaser and calculated on the higher between the sale price, the property's objective tax value, and the budgeted or actual construction costs, provided that the following conditions should be cumulatively met:

- the seller constitutes a VATable person that habitually acts as a constructor, or any other person acting as a constructor and carrying out transfers of real estate on an occasional basis;
- the underlying building's permit has been issued or renewed on/ or after 1 January 2006 and the construction works have not commenced prior to 1 January 2006; and
- the building qualifies as new, i.e. it has not been leased, transferred, or otherwise used before its sale.

The imposition of VAT on the transfer of new buildings is suspended until 31 December 2025 through the filing of an application by the constructor. In such cases, the relevant real estate transfers will be subject to RETT.

Uniform Real Estate Ownership Tax (UREOT):
Ownership of real estate properties located in Greece are annually subject to UREOT, which for legal entities consists of both a main and a supplementary tax. The main tax calculation depends on various factors relevant to the real estate property (location, area and various other coefficients), while the supplementary tax is calculated at the rate of 0,55% on the owned properties' cumulative objective tax value (such rate is reduced to 0.1% for properties that are self-used by Greek legal entities).

Municipality Duty (TAP):
Real estate ownership is further subject to a real estate duty, currently calculated at the range of 0,025% - 0,035% on the objective value of the real estate property.

Special Real Estate Tax (SRET)
Greek and foreign legal entities owning real estate in Greece are, in principle, subject to SRET, which is calculated at the rate of 15% on the objective value of real estate held on January 1st of each taxable year. There is a variety of exemptions from SRET based on conditions, such as business activity, overall shareholding structure disclosure, etc.

Leasing of Real Estate:
Commercial real estate leases (with the exception of industrial installations) are in principle subject to a 3,6% Digital Transaction Duty. However, there is an option to subject professional leases to VAT (at the standard 24% VAT rate), subject to the fulfillment of specific conditions.

VAT

Transactions giving rise to Greek VAT are generally subject to the standard Greek VAT rate (currently 24%).

The Greek VAT Code provides for a favorable tax scheme allowing non-imposition of VAT upon import or local purchase of new investment assets (subject to certain conditions, documentation requirements, and procedural formalities and following permission granted by the competent Greek tax office). Such VAT is not paid to the customs office or the supplier (as the case may be), but it is self-accounted by the relevant importer/purchaser through the application of the reverse-charge mechanism (i.e. by offsetting an equal amount of output against input VAT on the same periodic VAT return, thereby not encountering any cash flow impact). Enterprises that exploit wind parks may generally be eligible for the above VAT suspension.

Other Taxes related to renewable energy/ wind parks

The exploitation of wind parks would also give rise to miscellaneous regulatory duties related to the production and supply of electricity. As an indication:

- annual duty in favor of the Greek regulatory authority for Energy, which duty is currently calculated with a special formula introduced with a decision of the Greek regulatory authority for Energy, Waste and Water;
- "Special Duty" at the rate of EUR 2 per MWh of produced electricity;
- excise duty imposed solely on the sale of electricity to end-users (i.e. on retail sales and not to wholesalers) calculated at EUR 2, 2.2, or 5 per MWh (depending on the status/consumption needs of the ultimate customer);
- excise duty (calculated at the above rates) is also imposed where production of electricity is for own business purposes; and
- special duty calculated at 5‰ on the sum of the amount of electricity sold plus the corresponding excise duty.

Various exemptions from excise duties may apply, depending on the status of the purchaser and the use of the underlying electricity.

Special Tax Regimes and Incentives

There are no special tax regimes for wind parks or any other form of renewable energy production.

Moreover, activities belonging to the energy sector and infrastructure are not considered eligible activities for the granting of incentives according to the new Greek Investment Law (which introduces incentives for various business sectors).

However, incentives (e.g. spatial development incentives, expenditure aid, fast track licensing, but also tax incentives are provided in accordance with the provisions of the Greek Law for Strategic Investments, for the categories of off-shore wind parks, floating photovoltaic parks and for systems that combine RES power station and production of "green" hydrogen.

Those tax incentives include:

- Stabilization of the current CIT Rate
- Potential exemption from taxation (not applying to distribution or capitalization of profits), or increased depreciation rates for assets that have been included in the strategic investment plan (by 100% for depreciation rates up to 20% and by 40% for deprecation rates exceeding 20%)

Iceland

Corporate income tax

Wind energy companies in Iceland are subject to corporate income tax in accordance with their business form. If a wind energy company is a limited liability company the general income tax rate is 20%. However, corporate income tax rates have been temporarily raised by 1% for the income year 2024, thus raising the income tax rate of limited liability companies to 21%. No special provisions are in place for wind energy companies regarding corporate income tax.

The Icelandic tax system for corporations is a classical system. Companies are subject to income tax on their worldwide income and economic double taxation may be eliminated by deduction of dividend income from taxable income.

The taxable base is net income, i.e. income after deduction of operating expenses. Operating expenses are expenses incurred when obtaining and maintaining the income, including interest, discounts on securities, exchange rate losses, provision for doubtful accounts receivable and inventories, depreciation, and certain allowances provided by law.

There are no special rules on deduction for wind energy companies but there is a general rule on deduction of expense for business operations. According to Article 31 of the Icelandic Income Act operating expenses are deductible. Operating expenses are those expenses in the year that have resulted from the creation of income, establishing it and/or maintaining it.

For further information on Icelandic legislation on taxation of corporation see: https://assets.kpmg.com/content/dam/kpmg/is/pdf/2024/01/KPMG-Tax-Facts-2024.pdf.

Tax incentives

In the years 2021-2025, assets acquired in 2021 and 2022 may be depreciated by up to 50% of the depreciation basis. In addition, it is permissible to calculate a special charge on the initial value of assets acquired in 2021-2025 that are considered environmentally friendly and contribute to sustainable development. The special charge is between 13.18%-25%.

Furthermore, companies which invest in research or development projects (R&D) and have obtained confirmation by the Iceland Centre for Research, are entitled to a special deduction from income tax amounting to 35% of expenses incurred on the projects for small and medium sized companies and 25% for large companies, provided the expenses fall under deductible operating expenses.

The maximum amount on which the deduction is calculated within each company is ISK 1,100 million for each fiscal year, of which up to ISK 200 million can be due to purchased research or development services. In the case of joint projects, the same amount applies to the project as a whole, but the deduction is divided proportionally between the companies participating in the joint project.

Expenses incurred on each research and development project must be kept separate from other expenses incurred and supporting documents must be accessible to the tax authorities upon request.

International tax matters

Iceland has in place transfer pricing legislation, which for examples require intra-group transaction to be executed at arm's length.

The transfer pricing provision is based on the arm's length principle. If prices are not in accordance with the principle, they shall be adjusted using the transfer pricing guidelines issued by the OECD. Related party definition extends to direct or indirect ownership and/or control of legal entities as well as individuals which are considered related by family.

Companies which total revenue or assets in the beginning of the year or at year end exceeds ISK 1,000 million are obligated to keep documentation about the nature and extent of transactions with related parties, the nature of the relationship and the basis of price decided. The document obligation refers to the guidelines issued by the OECD.

The documentation obligation does not apply to transactions between related parties that are domiciled in Iceland.

Noteworthy news on potential legislative change

On 7 June 2023, the Minister of Finance and Economic Affairs appointed a working group tasked with reviewing the tax environment of energy production. However, no bill has been introduced by the ministry as of yet.

On 5 January 2024 the Ministry of the Environment, Energy and Climate introduced a bill which would make amendments to legislation regarding wind power, with the aim of simplifying the development of wind power plants for the production of green energy, while at the same time minimizing environmental impact.

Please note that the bill did not include any new taxes or fees with regards to wind power. Furthermore, the bill has not passed through parliament and will most likely not be passed before the upcoming parliamentary elections.

India

Corporate income tax

Tax Residency of Companies

The residential status of a company is to be determined on the basis of its incorporation or registration. A company is resident in India if:

a. It is an Indian company, or

b. Place of effective management 'POEM', during that year is in India.

POEM means a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are in substance made.

A company shall be 'non-resident' if it is not resident in India during the relevant accounting year. It means that a company which is not an Indian company and whose POEM during that year is outside India will be a non-resident company.

Tax Rates

Corporations resident in India are taxed on their worldwide income arising from all sources.

Non-resident corporations are taxed on the income received in India or income accruing or arising in India through a business connection in India or any source in India or transfer of a capital asset situated in India.

Further, with effect from Financial Year ('FY') 2021-22, a non-resident is deemed to constitute a business connection in India if it has Significant Economic Presence ('SEP')[4] in India.

Domestic corporations are subject to tax at a specified basic tax rate of 25% or 30% and foreign corporations at 35%. The basic rate is further increased with a surcharge based on the total income. There is an additional levy of health and education cess ('cess') at the rate of 4% of the tax payable.

Beginning from Fiscal year 2019-20, the domestic companies have an option to pay corporate tax at a reduced rate of 22% (plus applicable surcharge and cess). However, this benefit shall be available only when total income of a company has been computed without claiming specified deductions, incentives, exemptions and additional depreciation provided under the domestic tax laws.

4 SEP in relation to business connection mean:

- Transaction in respect of any goods, services or property carried out by a non-resident with any person in India including provision of download of data or software in India, if the aggregate of payments arising from such transaction or transactions during the previous year exceeds INR 20 mn; or
- Systematic and continuous soliciting of business activities or engaging in interaction with 0.3 mn users in India.

Further, any domestic company engaged in manufacturing of article or thing including generation of electricity which is set up and registered on or after 1 October 2019 will have an option to pay tax at the rate of 15% (plus applicable surcharge and cess) on income derived from manufacturing or production of an article or thing provided it fulfils the following preliminary conditions:

- It commences manufacturing/power generation on or before 31 March 2024;
- It is not formed by splitting up or reconstruction of a business already in existence;
- It does not use any plant or machinery previously used for any purpose;
- It does not use any building previously used as a hotel or a convention centre in respect of which deduction under section 80-ID had been claimed and allowed;
- This benefit shall be available only when total income of a company has been computed without claiming specified deductions, incentives, exemptions and additional depreciation provided under the domestic tax laws

Further, the option to pay tax at reduced rate shall have to be exercised on or before the due date of filing the first of the corporate tax return and such option once exercised cannot be subsequently withdrawn.

Particulars		Rate of tax
Domestic company:		
1.	Where total turnover or gross receipts is below the prescribed limits	25[5] per cent ++
2.	Where total turnover or gross receipts is above the prescribed limits	30 per cent ++
3.	Availing option to pay corporate tax at lower tax rates under new regime (i.e. where no exemption / incentive is available)	22 per cent ++
4.	Domestic manufacturing company which fulfils the conditions for availing option to pay lower corporate tax rates	15 per cent ++
Company other than domestic company		**35[6] per cent ++**

++ Rates to be increased by applicable Surcharge and Cess (Refer rates below)

Surcharge rates

Status	Income from INR 10 mn to INR 100 mn	Above INR 100 mn
Domestic company	7%	12%
Foreign company	2%	5%
Domestic company opting for lower tax rates of 22% / 15%	10%	

Health & Education Cess is levied in all the above cases on total of tax liability + surcharge @ 4%

5 The rate of 25% is applicable only where total turnover or the gross receipts in the previous year preceding immediately preceding year (for e.g., 2022-2023 for 2024-25) does not exceed INR 4,000 mn.

6 The rate of income tax for company other than a domestic company has been reduced from 40% to 35% on income other than income which is chargeable at special rates, via Indian Finance (No. 2) Act, 2024 with effect from FY 2024-25.

Withholding tax Rates

Withholding tax rates	Paid to domestic company	Paid to foreign company*
Dividend	10%	20%[7]++
Interest	10% (If PAN not available - 20%)	4%[8] to 20%[9] ++
Royalty from patents, know-how etc.	10% (If PAN not available - 20%)	20%[10]
Fee for Technical Services (FTS)	10% (If PAN not available - 20%)	20%[10]

* The above rates are as per the domestic tax laws and is subject to beneficial provisions of the Double Taxation Avoidance Agreement (DTAA), if any, entered between India and the relevant country

Taxation of Dividend Income

Earlier, any Indian company distributing dividends to its shareholders, both resident and non-resident, was required to pay Dividend Distribution Tax (DDT) @ 20.56% to the Government. Such dividend income was exempt in the hands of the shareholders. Indian Finance Act, 2020 has abolished such DDT with effect from 1 April 2020 and now dividends declared by Indian companies would be taxable in the hands of the shareholders. For resident shareholders, dividends would be taxed in their hands based on the tax rates they are governed with. An Indian company paying dividends would be required to withhold tax at source at the time of payment of the dividend since the recipient of the dividend is subject to tax. Under the Indian domestic tax law, the WHT on dividends paid to resident shareholders is 10% whereas the rate to non-resident shareholders is 20% (plus applicable surcharge and cess).

In case of payment of dividend to non-resident shareholders preferential withholding tax rates are available under the DTAA that India has with other countries provided that the recipient of such dividend fulfils the eligibility criteria for claiming treaty benefits, including the beneficial ownership condition provided in the relevant DTAA.

Where an Indian company receiving dividend income from any other domestic company or foreign company or a business trust further distributes dividend, it would be allowed a deduction in computing its total income to the extent of dividend distributed up to 1 month prior to the due date of filing of the income tax return. The said provision has been introduced to remove the cascading effect of dividend taxation in multi-layer structure.

No expenditure other than the interest expenditure incurred in respect of the dividend income will be allowed as a deduction for the shareholder. Moreover, deduction in respect of the interest expenditure will be restricted to 20% of the dividend income. Further, with effect from 1 October 2024, any payment received by shareholders on buyback[11] of shares are taxable as dividend income in India and no deduction for any expenditure is allowed against such income. However, the amount paid by shareholders at the time of acquisition of shares are allowed to be claimed as capital loss.

Depreciation

Depreciation of capital assets is allowed on the basis of the reducing balance method using varying rates, depending on the nature of assets.

Renewable Energy devices are eligible for a depreciation at the rate of 40%. In this regard, following devices have been defined:

- Flat plate solar collectors
- Concentrating and pipe type solar collectors
- Solar cookers
- Solar water heaters and systems
- Air/gas/fluid heating systems
- Solar crop driers and systems
- Solar refrigeration, cold storages and air conditioning systems
- Solar steels and desalination systems
- Solar power generating systems
- Solar pumps based on solar-thermal and solar-photovoltaic conversion
- Solar-photovoltaic modules and panels for water pumping and other applications
- Wind mills and any specially designed devices which run on windmills [installed on or after the 1 April 2014]
- Any special devices including electric generators and pumps running on wind energy [installed on or after the 1 April, 2014]
- Biogas-plant and biogas-engines
- Electrically operated vehicles including battery powered or fuel-cell powered vehicles

7 The rate of income tax on dividend received from a unit in an International Financial Services Centre (IFSC) is 10% from FY 2023-24

8 The lower withholding tax rate of 4%/5% is available on Interest income received on borrowings made in past years subject to fulfilment of certain conditions.

9 In the case of INR denominated borrowings, the Withholding tax rate can be as high as 35%.

10 The rate of income tax has been increased from 10% to 20% from FY 2023-24 as per the amendment brought vide Indian Finance Act, 2023

11 Buyback made in accordance with the provisions of section 68 of the Indian Companies Act, 2013 only is taxable as dividend income.

- Agricultural and municipal waste conversion devices producing energy
- Equipment for utilising ocean waste and thermal energy
- Machinery and plant used in the manufacture of any of the above sub-items

In addition to the above, additional depreciation at the rate of 20% of actual cost shall be allowed to corporations engaged in the business of generation, transmission or distribution of power where the depreciation is provided on reducing balance method. Where the asset is used for less than 180 days, 50% depreciation i.e. 1/2 of 20% (i.e. 10%) is available (Balance 50% of Additional Depreciation can be claimed in next year). However, where the domestic company opts for payment of corporate tax at lower rates of 22% / 15%, it will have to forego additional depreciation (if any) available to it. Please note that such additional depreciation of 20% mentioned above, is not available for companies opting the new regime of taxation as discussed earlier.

Corporations engaged in generation or generation and distribution of power may adopt Straight line method instead of reducing balance method where depreciation is allowed at specified rates of the actual cost of asset. However, no additional depreciation shall be allowed in this case. It may be noted that the method, once adopted, is not allowed to be altered.

Restrictions on interest deductions

Thin capitalization provisions:

In accordance with the OECD's BEPS project, India has introduced thin capitalization

provisions. These provisions apply where expenditure pertaining to interest or similar payments exceeding INR 10 Mn is incurred by an Indian company or a permanent establishment of a foreign company in India in respect of debt issued by a non-resident associated enterprise. It also applies in case of borrowings from a third-party lender, where the associated enterprise provides an explicit or implicit guarantee to such lender or deposits the corresponding or matching amount of funds with the lender. Further, these provisions may also apply to a company which borrows funds from a non-resident person and such loan constitutes more than fifty-one per cent of the book value of the total assets of the borrower company since, in such cases, the borrower and lender entities become associated enterprise.

The deduction of interest payment to overseas related parties is capped at 30% of EBITDA or the amount of interest paid or payable to the Associated Enterprise, whichever is lower.

Excess interest disallowed in a year will be eligible for carry forward up to eight consecutive years.

The above provisions do not apply where the interest is paid in respect of debt issued by a lender which is a permanent establishment of a non-resident bank in India.

Further, the above provisions also do not apply to Indian Company or permanent establishment of a foreign company in India engaged in the business of banking or insurance or a Finance Company located in any IFSC[12]or notified NBFCs .[13]

Disallowance of interest expense incurred for non - business purposes:

The Indian tax law provides for deduction of the amount of interest paid in respect of capital borrowed for the purposes of business. The deduction is provided, once it is established that the borrowing is for the purposes of business and that the interest is paid on such borrowings. In this regard, the domestic law provides that any interest paid by a company, on a loan used to purchase an asset, for the period before the asset is put to use, should not be allowed as a revenue expenditure and should be capitalized along with the cost of the asset.

Carbon Credits

Income from transfer of carbon credit which is validated by the United Nations Framework on Climate Change and which can be traded in market at its prevailing market price shall be taxable at the rate of 10% (plus applicable surcharge and cess) on the gross amount of such income. No expenditure or allowance in respect of such income shall be allowed under the domestic tax laws.

Carry forward of losses and unabsorbed depreciation

Business losses are permitted to be set off against income from any other source (except income from employment, i.e., salary income) in the same year. Business losses, which could not be so set off, are permitted to be carried forward for setting off against business profits arising in the eight subsequent years. Unabsorbed depreciation is permitted to be carried forward indefinitely.

12 International Financial Services Centre

13 Non-Banking Financial Company

Business loss can be carried forward only if the return of income/ loss of the year in which loss is incurred is furnished on or before the due date of furnishing the Income Tax Return. Unabsorbed depreciation can be carried forward even if return of income is furnished after the due date of filing income tax return.

Minimum Alternate Tax (MAT)

Indian tax law requires MAT to be paid by corporations on the basis of profits disclosed in their financial statements where the tax payable according to normal tax provisions is less than 15% of their book profits. For the purpose of income tax, these book profits have been defined to mean net profits as per financial statements subject to certain adjustments provided in the relevant section.

The tax paid under MAT is allowed to be carried forward for 15 years and set off against income tax payable under the normal provisions of the tax laws to the extent of the difference between tax according to normal provisions and tax according to MAT.

Domestic companies exercising the option to pay tax at the concessional tax rates of 22% / 15% have been excluded from the applicability of MAT.

Further, foreign companies not having a permanent establishment in India and which belong to a country which has a tax treaty with India or a foreign company which is not required to seek registration in India under any law for the time being in force and belongs to a country with which India doesn't have a tax treaty are not subject to MAT provisions in India.

Double Taxation Avoidance Agreement and foreign tax relief

India has entered into DTAA with various countries. Generally, the provisions of DTAA prevail over the domestic tax provisions. However, the domestic tax provisions may apply to the extent they are more beneficial to the taxpayer.

Foreign tax paid may be credited against Indian tax on the same profits, but the credit is limited to the amount of Indian tax payable on the foreign income. Specific rules exist regarding the mechanism for granting a foreign tax credit.

Multilateral Instruments ('MLI')

The Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit Shifting (the so-called multilateral instrument, or MLI) entered into force in India on 1 October 2019. This initiative spearheaded by the Organization for Economic Co-operation and Development (OECD) enables parties to concurrently modify their bilateral tax treaties to prevent base erosion and profit shifting.

In accordance with the adoption of the provisions under the MLI by contracting parties, the respective tax treaties between such parties shall be modified to the extent of the provisions adopted.

The primary amendment brought about through MLI is the introduction of Principal Purpose Test which acts as a minimum standard. With the advent of the same, where obtaining tax benefit is the principal purpose of any arrangement or transaction, then such tax benefit could be denied.

General Anti-Avoidance Rule (GAAR)

Indian tax law contains anti-avoidance provisions in the form of GAAR, which provide extensive power to the Tax Authority to declare an "arrangement" entered by a taxpayer to be an Impermissible Avoidance Arrangement (IAA). The consequences include denial of the tax benefit either under the provisions of the Indian tax laws or the applicable DTAA. The provisions can be invoked for any step in or part of an arrangement entered, and the arrangement or step may be declared an IAA. However, these provisions only apply if the main purpose of the arrangement or step is to obtain a tax benefit.

The provisions of GAAR will not apply where the aggregate tax benefit arising to all the parties from an arrangement in a relevant tax year does not exceed INR 30 million.

The central government vide a notification has made it clear that GAAR will apply to all tax benefits obtained on or after 1 April 2017 irrespective of the date of arrangement.

Infrastructure Investment Trusts (InvIT)

InvIT is a trust formed under the Indian Trusts Act, 1882 and registered under the Indian Registration Act, 1908. As per

the extant Indian InvIT related provisions, infrastructure related activities include all activities in all major sub-sectors viz. roads and bridges, ports, airports, electricity generation, transmission or distribution, telecommunications etc.

The key participants involved in the functioning of InvIT are the Sponsor, the Trustee, the Investment Manager and the Project Manager, with each of them having their roles defined under the Indian InvIT regulations.

Further, InvIT regulations provide for two categories of InvITs, i.e., public and private InvITs, wherein private InvITs are further sub-categorized as listed and unlisted InvITs. A brief gist of private and public InvITs is mentioned below:

- Private Placed InvITs: These InvITs are the ones wherein the funds are raised by way of private placement only. These types of InvITs can either be listed / unlisted, i.e., the funds can be raised either by way of placement of units on a recognized stock exchange in India or by way of placing units privately;

- Publicly offered InvITs: Unlike private placed InvITs, these type of InvITs can only raise funds by way of placing its units on a recognized stock exchange in India.

For both above type of InvITs, there are certain general and specific conditions required to be fulfilled by such InvIT.

From a domestic tax standpoint, the Indian government has provided a pass-through status for such InvITs in respect of certain streams of income, i.e. certain income not being taxable in the hands of the trust and shall be taxable at the level of investors. Among key advantages, unitholders / investors may enjoy tax exemption on dividend income received from the InvIT subject to fulfillment of certain conditions, lower rate of 5% for non-resident unitholders on distribution in the nature of interest by the InvIT. With effect from FY 2023-24, any sum received by unitholders/ investors without any unit redemption or towards partial redemption of units is taxable as income from other sources.

Tax exemptions for Sovereign Wealth Funds and Global Pension Funds

The Indian Government has provided significant relief to Sovereign Wealth Funds ('SWFs') and Global Pension Funds (GPFs) by way of an exemption from income tax in India on dividend, interest and long term capital gains income on any investment made in India in following entities:

- Alternate Investment Funds ('AIFs') (Category I & II) ,

- Company engaged in carrying on prescribed infrastructure business (including generation and transmission of power)

- InvITs

- a domestic company, set up after the 01 April 2021, having minimum 75% investments in companies infrastructure business ~ Specific rules regarding availing the exemption have been issued by the Government

- A non-banking finance company registered as an Infrastructure Finance Company having minimum ninety per cent lending to companies engaged in infrastructure business between 1 April 2020 and 31 March 2025 and where the investment is held for a continuous period of at least 3 years. The said exemption would be available on fulfilment of certain conditions and upon specific notification by the Government for such SWF / GPFs in the official gazette.

The exemption is available subject to certain prescribed conditions applicable to SWFs / GPFs and as may be prescribed by the Government at the time of notifying the relevant SWFs / GPFs in the official gazette. Some of the common conditions required to be fulfilled are mentioned below:

- The fund is created or established under the law of a foreign country (including provincial, state or local body laws);
- The fund is not liable to tax in such foreign country;
- The fund satisfies such other conditions as may be prescribed; and
- The fund is specified by Government of India through notification.

The SWF / GPF is required to file an application in prescribed form along with supporting documents with Government.

Transfer pricing regulations

India has comprehensive transfer pricing regulations wherein Indian taxpayers who enter into related party transactions with associated enterprises outside India are required to follow the arm's length principle while undertaking such transactions. In certain specific situations, such transfer pricing regulations may also become applicable on a transaction between two resident related parties.

The taxpayer is required to undertake necessary compliances where transfer pricing provisions become applicable, such as, maintaining the appropriate documentation in India, filing of transfer pricing certificate, etc.

Indirect Taxation

Background: Goods and Service Tax

Goods and Service Tax ('GST') is a destination based comprehensive value-added taxation system, which has been effective in India from 1 July 2017. As per the 'Statement of Objects & Reasons' in the Constitution (One Hundred and First Amendment) Act, 2016, through which GST was implemented, one of the primary objective behind the introduction of GST was to enable seamless flow of input tax credit from one state to another, which would foster a common and seamless Indian market and contribute significantly to the growth of the economy.

Keeping in mind the federal structure of India, there are three components of GST- Central GST ('CGST'), State GST ('SGST')/Union Territory GST ('UTGST') and Integrated GST ('IGST'). As the provisions of, CGST and SGST are levied on intra-state supply of goods and/or services and IGST is levied on inter-state supply of goods and/or services, IGST is essentially a sum of CGST and SGST.

In terms of GST Law, GST is applicable on all taxable supplies made within the territory of India. However, the GST Law also provides the taxpayer with exemption from remitting GST to the Government on certain supplies of goods/services. The Government has accordingly notified such exempt supplies through various notifications.

Further, as per the provisions of GST, every taxpayer is eligible to claim Input tax credit charged on any supply of goods and/or services which are used/intended to be used in furtherance of business. However, if the outward supply of a taxpayer is exempt from the levy of GST, the taxpayer would not be eligible to claim credit of input goods and services.

Applicability of GST on Renewable Power Projects

In terms of GST Law, the sale of electricity/power is exempt from GST. Therefore, there is no requirement to discharge GST to the Government on the sale of electricity/power. However, power generation companies are required to discharge the applicable GST on procurement of goods and/or services.

Since the sale of electricity is exempt in terms of GST law, as Renewable power generation companies are not eligible to avail input tax credit of GST paid on procurement of goods and/or services which are required to set up the solar/wind power generation project. Thus, the taxes paid on procurement of goods/services become a cost to the Company.

Under the GST Law, there is an increase in tax rate on procurement of services (O&M services, module cleaning, consultancy

contracts etc.) from 15 per cent to 18 per cent, thereby leading to an additional tax burden on the power generation companies. Additionally, the concessional rate of 2 per cent on procurement (against Form C) was discontinued under GST regime, leading to additional burden of tax on the Companies.

In terms of the GST tariff, for renewable energy devices & parts required for the manufacture of renewable components which fall under Chapter 84, 85 or 94 of the Tariff are taxable at the rate of 12% which were earlier taxed at the rate of 5 per cent[14] Further, for other goods and/or services used in manufacture of these power plants, the requisite GST as mentioned in the GST Tariff, would be applicable.

Further, following industry representations on diverging tax practices with respect to taxability of setting up of solar power generating plant and other renewable energy plants, the Government on 1 January 2019, notified the manner in which Engineering, Procurement and Construction contract ('EPC Contract') would be taxable. In such cases, 70 per cent of the gross value of EPC contract for setting up of power generating systems, shall be deemed as the value of supply of goods which would attract 5 per cent GST and the remaining portion (30 per cent) of the aggregate value of such EPC Contract shall be deemed as the value of supply of taxable service which would attract the standard GST rate of 18 per cent, resulting in effective tax rate of 8.9 per cent on the EPC Contract. The said ratio of 70:30 may be applied retrospectively w.e.f 01 July 2017.[15]

However, the aforementioned ratio has been challenged by Solar Power Developers Association ('SPDA') stating that the actual value of materials involved should be in the range of 80 per cent to 90 per cent. Further, the Wind Power sector is being equally affected by 70:30 ratio, hence, Indian Wind Turbine Manufacturers Association has also challenged the ratio before the Hon'ble High Court stating that the deemed ratio of 70:30 (Goods: Services) does not depict Industry average and requires re-evaluation. Nonetheless, there is no change in the status of the said litigations in this regard.

Further, in accordance with 45th GST council meeting recommendations that with effect from 1st October 2021[16], GST rate for specified renewable energy devices and parts required for their manufacture have been increased from 5% to 12% (as also mentioned above). The said change was undertaken with an intention to allow industries to adjust their Input tax credit accumulated due to inverted duty structure. Such change has however increased the effective tax rate on EPC Contract from 8.9 per cent to 13.8 per cent.

Additionally, the imposition of GST on imports pertaining to equipment/machinery used for setting up of wind power projects amounts to 'change in law' in terms of the Power Purchase Agreements executed between the Company and the Government. Thus, since

14 With effect from 1st October 2021 vide Notification No. 8/2021-Central Tax (Rate) dated 30 September 2021

15 Circular No. 163/19/2021-GST dated 6th October 2021

16 Notification No. 8/2021-Central Tax (Rate) dated 30 September 2021

the imposition of GST has led to increase in non-recurring expenditure for the power project, the power generation companies are eligible to compensation on account of increased expenditure from the Government.

GST on Renewable Energy Certificates ('RECs'):

Further, renewable energy certificates ('RECs'), issued to eligible entities for generation of electricity by renewable energy, which were earlier taxable at the rate of 12 per cent are now taxable at the rate of 18 per cent under the GST Law with effect from 1st October 2021[17]. Aggrieved by the taxability of the RECs, renewable power companies have filed a case before the Delhi High Court seeking exemption from levy of GST on RECs, however, the status of the said litigation remains unchanged.

Background and applicability of Customs duty on Renewable Power Project

In addition to the above, import of any goods into India from a place outside India is exigible to Customs duty (at the rate prescribed in Customs Tariff), the input tax credit of which would not be available to the Importer.

In this regard, it is pertinent to note that import of components etc., (under Chapter 84 of the Customs Tariff) are leviable to Customs duty at a rate of 5 per cent[18]subject to fulfillment of certain conditions, prescribed therein. Further, other goods falling under Chapter 84 and 85 of the Customs Tariff are leviable to Customs duty at the rate of 7.5 per cent to 10 per cent.

Further, it is imperative to highlight here that under the Project Import scheme, all goods imported for an eligible project irrespective of the HSN would be classified under one tariff heading i.e., 98.01 and Basic Customs duty shall be levied at single rate of 7.5%[19] (as mentioned vide Sl. No 601 to the Customs exemption Notification[20]) instead of being separately charged at respective rates depending on HSN classification.

The concessional rate under Project Import scheme is subject to the condition that the goods should be imported with respect to 'eligible projects' and power project is one of such projects which is categorized as an eligible project under the Project Import Scheme. Accordingly, Project Import scheme may be explored while setting up wind power project in India in order to import goods at concessional rate.

Furthermore, it is pertinent to note that import of solar photovoltaic modules (covered under HSN 85414300) and solar photovoltaic cell (covered under HSN 85414200) are leviable to Customs duty at a rate of 40 per cent and 25 per cent respectively.

17 Notification No. 8/2021-Central Tax (Rate) dated 30 September 2021

18 Entry no 405 of Notification no 50/2017-Customs (Tariff) dated 30 June 2017

19 Leviable at 5% if the goods have been imported against contracts registered on or before 30th September 2022 with the appropriate Custom House in compliance with the Project Imports Regulations, 1986 and leviable at 7.5% if the goods have been imported against contracts registered after 30th September 2022

20 Notification No. 50 /2017 –Customs dated 30th June 2017

Indonesia

Brief legal framework

The prevailing Electricity Law specifies a controlled system with Indonesia's state-owned electricity company, i.e., PT Perusahaan Listrik Negara (Persero) or "PLN", holding exclusive power over the transmission, distribution, and sale of electricity to end users. This central role aligns with Indonesia's regulatory framework, which aims to ensure stable electricity supply and pricing across the archipelago.

As policed in the Electricity Law, limited private participation in power generation is permitted for the entity's own use or for sale to PLN. Certain industries, particularly large-scale ones such as mining or manufacturing, can generate their electricity (captive power) for their use.

Essentially, the model involved allows for private investment in power generation as Independent Power Producers ("IPPs"). These IPPs are licensed to sell their power output solely to PLN under a Power Purchase Agreement ("PPA"). IPPs are essential in expanding power capacity, particularly for renewable energy projects, as PLN collaborates with private investors.

The definition of renewable energy in Indonesia is primarily regulated in the Law No. 30 of 2007 on Energy and subsequent regulations. It categorizes renewable energy as those derived from natural, non-fossil resources, namely, solar energy, wind energy, hydropower, geothermal energy, biomass energy, etc.

Future outlook

Reforms in Indonesia's electricity sector aim to introduce more competition and open opportunities for private companies to sell electricity directly to consumers under specific circumstances. However, as of now, PLN remains the primary distributor, and most producers must coordinate with PLN to bring electricity to the market.

Corporate income tax

Accumulated tax losses can be carried forward and deducted against future profits for five (5) consecutive years, commencing the first year after the loss was incurred without any restriction. Changes in shareholders do not affect the validity of carried forward tax losses.

Deductible expenses

Business expenses incurred for the purpose of earning, collecting, recovering, or maintaining income are generally tax deductible. Tax-deductible expenses include depreciation and amortization, contributions to an approved pension fund, social security contributions,

losses from the sale or transfer of assets, foreign exchange losses and bad debts. Non-deductible expenses include distribution of profits in the form of dividends, creation of general provisions or reserves, certain gifts, and donations, etc.

Depreciation and amortization

Assets (except for land) and/or expenses that have useful lives of more than one (1) year can generally be depreciated and/or amortized using the straight line or double declining method. Depreciation and amortization methods chosen must be applied consistently.

Group of Tangible Assets	Useful Life	Depreciation Tariff	
		Straight Line	Double Declining
I. Non-Building			
Group I	4 years	25%	50%
Group II	8 years	12.5%	25%
Group III	16 years	6.25%	12.5%
Group IV	20 years	5%	10%
II. Building			
Permanent	20 years or more	5% or less	-
Non-permanent	10 years	10%	-
Group of Intangible Assets	**Useful Life**	**Depreciation Tariff**	
		Straight Line	**Double Declining**
Group I	4 years	25%	50%
Group II	8 years	12.5%	25%
Group III	16 years	6.25%	12.5%
Group IV	20 years	5%	10%

General WHT rules

WHT rates in Indonesia are contingent on the nature of expenses and recipient of the payment.

Payments made to domestic residents for rental, management fees, technical fees, service fees, construction fees, dividends, royalties, etc., will be subject to WHT with various tariffs ranging from 2% to 15%.

Payments made to foreign residents (such as dividends, interest, royalties, etc.) are subject to final local WHT at the rate of 20% or at a reduced tax treaty rate, provided the foreign residents can satisfy Indonesia's requirements on claiming tax treaty benefits.

Value added tax ("VAT")

In general, VAT at the prevailing rate of 11% (or 12% from 1 January 2025 onwards) is levied on the supply of "taxable" goods and/or services within Indonesia, as well as imported goods and services from overseas utilized in Indonesia.

An Indonesian taxpayer is required to register as a VAT-entrepreneur if its total annual turnover exceeds IDR 4.8 billion. A VAT-entrepreneur is obliged to charge or collect VAT on supplies of taxable goods and/or services and perform monthly reporting and payment of VAT.

Under Indonesia's VAT system, input VAT (for e.g., payments to local vendors) are generally creditable against output VAT, i.e., VAT imposed on the sale of taxable goods and/or services. Excess input VAT can be refunded or carried forward to the following period.

VAT on supply of electricity

The supply of electricity is an exempt VAT supply as electricity is deemed a "strategic good". Associated input VAT cannot be credited and must be treated as cost.

Customs duties

Importation of goods into Indonesia is generally subject to the following importation taxes and duties, which valuation method is Cost, Insurance, and Freight:

i. Import duty at rates ranging from 0% to 150% depending on the customs category of imported goods (HS Code);

ii. Article 22 income tax on imports at the rate of 2.5% to 10%; and

iii. Import VAT at the prevailing rate of 11% or 12% from 1 January 2025.

There is no export duty or VAT on the export of goods from Indonesia, except for certain domestic products or commodities, such as crude palm oil, leather and wood, cocoa beans, refined mineral products, etc.

Other taxes

Land and building tax

Individuals or corporations that have rights over land, possess or control buildings, or obtain benefits from land and/or buildings are subject to an annual land and building tax (Pajak Bumi dan Bangunan, or "PBB"). The PBB rate is specified at a maximum of 0.5%, and the actual tax due is calculated by applying 0.5% to the taxable sale value determined by the regional government, which is currently stipulated to be either 20% or 40%. Hence, the effective PBB is currently at the rate of either 0.1% or 0.2%.

Stamp duty

Stamp duty of an immaterial amount of IDR 10,000 (~ USD 0.70) must be applied to certain legal documents, agreements, or contracts if they are to be used in Indonesian Court of Law and regarded as legally binding. Stamp duty comprises of an actual stamp (like a postal stamp) affixed to relevant documents.

Special tax regime for renewable energy

Various tax facility regimes are available for the renewable energy industry, specifically the Tax Holiday and Tax Allowance incentives, and custom and import duties exemptions.

Tax Holiday

Tax Holiday is available for companies designated as 'pioneer industry', which includes renewable energy producers under 'economic infrastructure'. This incentive provides for a CIT reduction of 50% or 100% (depending on the investment value) for five (5) to twenty (20) consecutive years from the start of commercial production. After this period, eligible companies will continue to receive a 25% or 50% CIT reduction for two (2) additional years.

The Minister of Finance recently released an update/revise regulation on Tax Holiday incentive related to the implementation of Pillar Two, whereby a company enjoying tax holiday facility and is considered a qualifying taxpayer being part of a multinational enterprise group that is subject to Global Minimum Tax under Pillar Two rules is subject to an additional domestic top-up tax.

Even though the domestic regulation to implement the Global Anti-Base Erosion ("GloBE") rules in Indonesia has yet to be released by the Indonesian Government, it is expected that the Qualified Domestic Minimum Top-up Tax ("QDMTT") will shortly be adopted in an upcoming regulation(s).

Tax Allowance

Tax allowance for utilization of renewable energy resources is available for power producers supplying energy sources from sustainable energy resources, geothermal energy, wind, bioenergy, solar, water flow, and waterfalls, as well as movement and difference of temperature of sea level.

The available tax incentives under tax allowance are as follows:

- Deduction of net income of 30% from the actual amount invested in fixed assets and tangible assets, including land, which is charged for six (6) years at 5% annually;
- Accelerated depreciation and/or amortization of eligible fixed and intangible assets;
- Reduction in the WHT tariff on dividends payable to foreign investors of up to 10% (or subject to a lower rate being made applicable by a tax treaty); and
- Longer tax loss carry-forward period of up to ten (10) years where certain requirements are met.

Custom and import duties exemptions

Available import duty and customs tax exemptions for renewable energy companies (subject to approval and satisfying qualifying conditions):

i. Import VAT exemption on capital goods.

ii. Article 22 import tax exemption on import of capital goods and raw materials.

iii. Import duty exemption on import of capital goods and raw materials.

Ireland

Corporate income tax

An Irish tax resident company is liable to tax on its worldwide income with non-resident companies only liable to tax in Ireland in relation to certain asset disposals or where they carry on a trade in the State through a branch or agency.

The standard rate of corporation tax for trading profits is 12.5%. A 25% tax rate applies to profits derived from "excepted trades" (includes most dealings in land and certain petroleum activities) and non-trading income such as deposit interest, foreign income, interest on securities and rental income.

The measure of taxable income of a company generally follows the accounting recognition of that income under Irish GAAP/IFRS with some adjustments for non-deductible items, tax depreciation and some tax incentives.

Tax Deductions

Expenditure must be incurred "wholly and exclusively" for the purposes of the trade in order to be deductible in calculating trading profits/losses for an accounting period. Certain items of expenditure are regarded as being specifically non-deductible. Expenditure must be of a revenue (income) rather than capital nature. Expenditure will be regarded as capital in nature if (broadly) it relates to the acquisition, enhancement or disposal of a fixed asset, or any other enduring benefit analogous to a fixed asset.

Depreciation and amortization are treated as capital; however, tax depreciation (capital allowances) should be available in lieu (see below). Land related costs, including planning permission, associated legal fees and Irish stamp duty are generally regarded as capital in nature and not deductible for Irish corporation tax purposes.

Interest is generally deductible, whether as a trading expense or as a charge on income (there are several conditions to be met in this regard). Anti-avoidance legislation applies to limit relief for interest accrued but not paid on loans between connected companies, and for interest on loans to acquire an interest in another company where capital is recovered by a company connected to the investing company. Anti-avoidance rules also apply, in certain circumstances, to deny relief for interest on intra-group loans taken out to finance the acquisition of fixed assets from a group company.

Please note that Ireland has introduced several provisions transposing into Irish law the measures contained in the EU's Anti-Tax Avoidance Directive (ATAD) such as the controlled foreign company (CFC) rules, anti-hybrid rules and an interest limitation

rule (ILR). It should be noted that Ireland has introduced a Long-Term Public Infrastructure project exemption from the ILR the definition of which includes installations generating energy from renewable sources.

Tax Depreciation (Capital Allowances)

Depreciation is a non-deductible expense for Irish corporation tax purposes. Instead, tax depreciation (capital allowances) is granted on capital expenditure within the following types of categories:

- Plant, equipment and machinery - Capital allowances of 12.5% may be claimed for a period of 8 years commencing in the year expenditure is incurred.
- Industrial buildings, including factories, mills and dock undertakings - Capital allowances in respect of industrial buildings are available at 4% over 25 years.
- Certain designated energy efficient equipment / gas or hydrogen-powered commercial vehicles and / or refueling equipment – 100% capital allowances may be claimed in the year of acquistion for expenditure incurred up to 31 December 2025.
- Qualifying intellectual property, scientific research and costs of acquiring patent rights (IP) – capital allowances for IP can either be based on the amortization or impairment charge to the profit and loss account, or can be at an annual rate of 7% for 14 years and 2% in the 15th year. Capital allowances on certain intellectual assets are capped at 80% of the income derived from those assets in a particular year with any excess allowances carried forward into the following year(s).

Please note that, following a Tax Appeal Commission case which found in favour of the taxpayer, certain expenses associated with grid connection can now be claimed as part of the provision of plant and machinery (and so qualify for capital allowances).

In addition, costs related to the acquistion of land (i.e. land options, professional fees etc) do not qualify for capital allowances.

Trading Losses

A trading loss incurred in an accounting period may be offset against trading income arising in the same period, trading income of the immediately preceding period, trading income of subsequent periods (where the same trade is carried on and no change of ownership). To the extent not usable against trading income, a trading loss may be used to reduce the corporation tax payable on passive income and chargeable gains of the same period and the immediately preceding period (relief is claimed on a "value" basis).

Group relief may also be claimed whereby one group company is entitled to surrender its trading loss to another member of the same group, subject to certain conditions.

Chargeable Gains

Capital gains accruing to an Irish tax resident company on the disposal of assets are subject to corporation tax, at a rate of 33%. Any tax liability on a chargeable gain will be included as part of a company's corporation tax payment in the particular period.

In certain cases, an exemption applies to chargeable gains where an Irish tax resident holding company disposes of a shareholding in a company located in Ireland, another EU Member State or a tax treaty state.

This is subject to a number of conditions:

- The holding company must have a minimum shareholding of 5%,
- The company being disposed of must be a trading company or the business of the holding company, its 5% subsidiaries and the company concerned taken as a whole must consist wholly or mainly of trading activities,
- The minimum shareholding must have been held for a continuous period of 12 months in the 24 months prior to disposal, and
- The shareholding must not derive its value from Irish real estate.

On the event of a disposal of Irish immoveable property, minerals or rights in minerals located in Ireland, certain rights to exploration and exploitation on the Irish continental shelf and unquoted shares that derive the greater part of their value from such assets, where the consideration is in excess of EUR 500,000, the seller will need to provide the purchaser with a clearance certificate issued from the Irish Tax Authorities in order to receive the sales proceeds without the operation of withholding tax of 15%.

Participation exemption for foreign dividends

A participation exemption for foreign dividends will apply to certain distributions received on or after 1 January 2025 from companies resident for tax purposes in the EU/EEA, or jurisdictions with which Ireland has a double taxation agreement.

Pillar Two top-up taxes

A 15% minimum effective rate applies for companies which fall within in scope groups (global turnover greater than €750 million) as provided for under Finance (No. 2) Act 2023 (Pillar Two). This is effective for accounting periods commencing on or after 31 December 2023.

Transfer Pricing

Ireland's transfer pricing legislation applies the arm's length principle. In general, this means that transactions between related parties (both domestic and cross border) must be priced as if they were carried out between unrelated parties. The arm's length principle is interpreted in accordance with the OECD Transfer Pricing guidelines for multinational enterprises and tax administrations. With effect from 1 January 2023, the Irish Transfer Pricing legislation was updated to refer to the 2022 version of the OECD Guidelines.

The Irish transfer pricing legislation includes specific documentation requirements whereby a a Master File and Local File is required to be maintained, subject to certain deminimis thresholds.

Country-by-Country Reporting (CbC)

The legislation requires Irish MNEs with consolidated annualised group revenue of €750 million or more to prepare an annual CbC report. Irish MNEs captured under the legislation must file a CbC report annually to include specific financial data covering income, taxes, and other key measures of economic activity by territory. CbCR filings are due to be filed within 12 months of the accounting period.

Stamp duty

Stamp duty is a tax payable on transfers of land and on other assets (if title cannot be passed by delivery) where the instrument is executed in Ireland, or if the instrument relates to Irish property or relates to matters done or to be done in Ireland.

In general, non-residential property is subject to a rate of 7.5%, whereas the rate applicable to residential property ranges from 1% to 15% (certain bulk buying of residential units). Please note that there are a number of exemptions available such as group transfers subject to certain conditions.

Local Authority Rates

Local authority rates are payable in Ireland by wind farm operators, and may be payable in respect of other renewable energy infrastructure, to localised branches of government. The rates payable are set by the Local Authority in each county.

Each Local Authority determines a Net Annual Value (NAV) as set out in the Certificate of Valuation which is issued by the Valuation Office. This is calculated as the Annual Rental Value of the property if all maintenance costs are attributed to the tenant. There are three ways in which the Local Authority can determine the NAV; (1) by comparing the property to similar properties within the area (2) by considering the receipts and expendtures of the business operating in the premises or (3) by basing the valuation on the replacement cost of the building, depreciated as appropriate and the value of the site.

Electricity tax

Electricity tax is an excise duty charged on supplies of electricity for commerical use in Ireland. The tax is charged on the final supply to the consumer and the liability arises at the time of the supply.

All electricity suppliers must register with the Irish Tax Authorities and are responsible for payment of tax and all returns.

A rate of EUR 1 per megawatt hour applies to electricity supplied for business use. A rate of EUR 1 per megawatt hour applies for electricity supplied for non-business use, excluding domestic use.

Withholding taxes

Dividends

Generally dividends paid by Irish tax resident companies to non-resident companies or individuals are subject to withholding tax. The current rate of dividend withholding tax is 25%. However, there are a number of exemptions available for payments to non residents. A tax treaty may also apply a lower rate.

Interest

Interest paid by Irish tax resident companies is generally subject to withholding tax at 20%. There are a number of domestic withholding tax exemptions relating to interest, specifically where the recipient company is resident in an EU Member State or Tax Treaty jurisdiction. A tax treaty may also apply a lower rate.

Relevant Contracts Tax (RCT)

RCT is a withholding tax system operated in the construction, meat processing and forestry sectors. The construction and ongoing operation of say windfarm assets in Ireland will give rise to RCT obligations. The obligation is on the "principal" to withhold the tax from payments made to subcontractors. Absent tax clearance from the Irish Tax Authorities, tax must be withheld from payments at 20% or 35% as advised by the Irish Tax Authoriaties. Where the subcontractor receives tax clearance, it effectively means that tax is withheld at 0%. The subcontractor generally gets a credit or a refund for the tax withheld depending on the circumstances.

Outbound payments

New defensive measures were introduced on the tax treatment of distributions, royalties and interest payments to associated entities resident in no-tax and zero tax jurisdictions, together with those included on the EU list of non-cooperative jurisdictions to ensure the prevention of double non-taxation.

This new legislations limits the operation of certain domestic withholding tax exemptions, and also entails additonal reporting requirements.

The legislation applies to relevant payments of dividends, royalties and interest to associated entities made on or after 1 April 2024. However, there are grandfathering provisions that apply to arrangements which were in place on or before 19 October 2023. As a result, the new measures will not apply to any such grandfathered payments until 1 January 2025.

Research and Development Tax Credit (RDTC) regime

A 30% corporation tax credit is available on qualifying R&D expenditure i.e. staff salaries and related costs, materials and consumables, capital expenditure and other direct R&D costs. This credit is granted in addition to the standard 12.5% corporation tax deduction available for such R&D expenditure, thereby resulting in an overall 42.5% relief.

The tax credit is available to trading companies, within the charge to Irish tax, that are engaged in qualifying R&D activity undertaken within Ireland or the EEA. If a company is not carrying on a trade, it may still be in a position to claim the relief if it is part of a trading group. Similarly, a dedicated R&D company of a trading group may qualify for the relief.

Companies with RDTC claims of €75,000 or less will receive the full benefit of their RDTC claim in one up-front instalment in respect of year 1. Companies with RDTC claims of more than €75,000 but less than €150,000, will receive €75,000 of their RDTC claim in respect of year 1. Companies with RDTC claims above €150,000 will follow the normal treatment a company can claim the full R&D tax credit in cash in three fixed instalments (50% in year 1, 30% in year 2 and 20% in year 3), or a company can specify that any part of each instalment be offset against other tax liabilities of the company.

An R&D tax credit claim must be made within 12 months of the end of the accounting period in which the qualifying expenditure was incurred. In the case of pre-trading expenditure, the claim must be made within 12 months of the end of the first accounting period in which the company traded.

Italy

Corporate income tax

Italian-resident wind power companies are subject to corporate income tax (imposta sul reddito delle società, IRES) and to the regional tax on productive activities (imposta regionale sulle attività produttive, IRAP) as all the other companies in Italy. The current IRES rate is 24% and the standard IRAP rate is 3.9% but Italian regions may increase the standard rate by up to 0.92%.

There are not relevant specific rules linked to wind power companies and the tax basis is in principle determined in accordance with the ordinary tax principles that apply to other companies as well.

Wind parks are composed of depreciable assets (i.e. tangible fixed assets used in the business of the company). These assets' tax basis is their cost adjusted by depreciation. The cost is the purchase or production cost increased by any ancillary expense directly attributable and related to the assets and decreased by an amount equal to the grants received for purchasing or manufacturing the relevant asset. Fixed assets in wind parks should be allocated to the following depreciation groups:

- Plants and machinery (9% annual depreciation);
- Towers, constructions and buildings (4% annual depreciation);
- Land and property (non-depreciable assets).

The Budget Law for 2016 introduced a "super" depreciation regime applicable to certain specific tangible assets. The benefit consisted in a 40% or 30% increase in the cost, relevant for tax purposes only, of investments in new tangible assets, whose tax depreciation rate is higher than 6.5 percent, purchased between 15 October 2015 and 31 December 2019 (the deadline was extended to 30 June 2020 if at least 20% of the cost is paid in advance by the end of 2019).

The Budget Law for 2020 repealed the above mentioned "super" depreciation regime and replaced it with a special tax credit (or 'bonus'), which is basically a tax credit for 'Industry 4.0' investments and varies according to the type of investment made by the taxpayer, i.e. whether it is one of the types indicated in Attachments A and B to Law no. 232 of 11 December 2016 or a third type indicated in that law, namely 'new ordinary capital goods'.

This tax relief can be taken by enterprises resident in Italy and by Italian permanent establishments of foreign enterprises, provided they are not involved in insolvency

proceedings and: (i) comply with industry rules on occupational health and safety; (ii) fulfil their obligations to pay their workers' national insurance contributions.

As a general rule, this bonus cannot be assigned or sold, is excluded from the direct tax base, and can be combined with other forms of tax relief. In most cases the tax credit can only be used by offsetting it in five or (depending on the type of investment) three equal annual installments, starting from the year subsequent to that in which the asset becomes'interconnected'or goes into use. The bonus varies according to the type of investment, as follows.

Eligible investments for the period from 1st January 2023 to 31 December 2025 (or –provided that, by 31 December 2025, the seller has accepted the order and at least 20 percent of the purchase cost has been paid –30 June 2026) in the capital equipment indicated in Attachment A to Law no. 232/2016 are capped at EUR 20 million and the tax credit amounts to (i) 20 percent of the first EUR 2.5 million invested; (ii) 10 percent of the investments between EUR 2.5 million and EUR 10 million and (iii) 5 percent of the remaining investment. However, certain capital goods including – for example – cars and other means of transport are ineligible.

Eligible investments in the intangible assets indicated in Attachment B to Law no. 232/2016 are capped at EUR 1 million and the tax credit amounts to 20 percent of the cost for the investments made up to 31 December 2023, to 15 percent for the investments made in the period 1 January 2024 to 31 December 2024 and to 10 percent for the made in the period 1 January 2025 to 31 December 2025 .

The investments in new capital goods must be made for production facilities located in Italy. If, by 31 December of the second year subsequent to that of the investment, the assets are sold or transferred to production facilities located abroad, the bonus will be cut, by excluding the corresponding portion of the cost from the original calculation. Any surplus tax credit already used must be repaid directly by the taxpayer, within the deadline for the payment of the balance of income tax for the financial year in which the sale/transfer takes place, without any penalties or interest.

Renewable energy companies often benefit from incentives given by public and private authorities. Grants received under a contract and grants received under the law to cover operating expenses are taxed on an accrual basis. Grants that are not treated as gross receipts may be included in taxable income in the year of receipt or in equal installments in the year of receipt and the following 4 years. Grants received to purchase depreciable assets are not included in the grantee's taxable income. However, the cost of the asset must be netted of the amount of such grant for the purposes of determining the asset's tax basis.

Municipal real estate tax

Italian resident companies are subject to a municipal tax (imposta municipale propria, IMU) which is levied on the possession of real estate assets located in Italy. In the case of buildings, the taxable base is computed as follows: (i) 105% of the imputed income, as indicated in the real estate registry on 1 January of the relevant year times (ii) a coefficient ranging from 55 to 160, depending on the cadastral classification of the property.

The general tax rate is 0.76%, but the municipality in which the real estate asset is located may increase or decrease the rate by a coefficient of up to 0.3%. Moreover, municipalities may decrease the tax rate to 0.4% in the case of real estate assets held by companies or other persons liable to IRES. 50% of the IMU paid can be deducted from the IRES base (60% in fiscal years 2020 and 2021, 70% in the following fiscal years). Conversely, IMU is not deductible for IRAP purposes.

Until 2015 all the plants and machinery linked to wind parks were considered relevant for the determination of the value of the imputed income which is the basis of the municipal tax. In 2016 the Revenue Income Authority has established that: (i) buildings and plants that increase the quality and utility of the property are subject to IMU, (ii) machinery, equipment and other plants related to a specific production process are exempt from IMU.

Offshore wind

In Italy there are offshore wind farm projects, but the sector is still in a development phase compared to other European countries like the United Kingdom or Germany. Currently, there are no large operational offshore wind farms in Italian waters, but several projects are underway, especially in the Adriatic Sea and the Ionian Sea.

One of the most advanced projects is located in Taranto, called Beleolico, which represents Italy's first offshore wind farm, operational since 2022. This facility consists of ten turbines positioned near the port of Taranto and has a capacity of about 30 MW. In addition, other projects are being studied

and developed in the Adriatic Sea and the Strait of Sicily, with growing interest in floating technologies to overcome the technical and environmental challenges related to Italy's deep seabeds.

To help demonstrate the potential for floating wind and to jumpstart Italy's efforts, the Italian authorities approved the country's first floating wind farm a project known as 7SeasMed Floating Offshore Wind.

For now, ordinary corporate taxation rules are expected to apply.

Industry 5.0

The decree No. 19/2024 introduced a new tax credit for companies that invest in innovative technologies to achieve energy savings. This new incentive represents the implementation of the so-called Industry 5.0 program and can be used to offset various tax liabilities (e.g., CIT, VAT, social and security contributions etc).

The tax credit is available for resident companies (and domestic permanent establishments of non-resident companies) investing in new qualifying tangible and intangible assets in production facilities located in Italy in 2024 and 2025, as part of projects that save energy by at least 3 percent for facilities, or 5 percent for production processes.

The tax credit amounts to 35 percent of the acquisition cost for investments up to EUR 2.5 million, 15 percent of the acquisition cost for investments between EUR 2.5 million and EUR 10 million, and 5 percent of the acquisition cost for investments between EUR 10 million and EUR 50 million. These percentages can be increased up to 45 percent, 25 percent and 15 percent, respectively, in cases where the energy savings achieved through the investments reach higher thresholds.

It includes eligible tangible and intangible assets listed in Annexes A and B to Law No. 232 of December 11, 2016, which comprise platforms and applications for energy dashboarding, software and systems. It also includes investments in new tangible goods aimed at self-production of energy from renewable sources intended for self-consumption and training expenses to develop technological skills in relation to energy transition of production processes.

Amongst the necessary documents, the taxpayer has to obtain a double certification from an independent evaluator to attest ex-ante the possibility to obtain the energy consumption reduction required by law and ex-post the actual implementation of the interventions as declared in the ex-ante certification.

Japan

Corporate income tax

General

Japanese energy companies should, in principle, be subject to corporate income tax on net taxable income pertaining to electricity sales at an effective rate of approximately 29.37%. For business tax, the scope of taxation has been extended from gross revenue to net taxable income for fiscal years beginning on or after 1 April 2020 pursuant to the 2020 Tax Reforms (with a small decrease in the amount assessed on revenue as noted below).

Capital gains arising from a future sale of the wind farm assets should similarly be subject to Japanese corporate income tax in the same way as ongoing income assuming the facility has reached commercial operations.

Business Tax

As an exception to the general principle, business tax for an electricity supplier is not assessed on net taxable income but gross revenue from electric power sales. As noted above, business tax for an electricity supplier will also be assessed on the net taxable income arising from electricity sales for fiscal years commencing on or after 1 April 2020; in connection with this, the applicable rate of business tax on revenue for energy companies operating in Tokyo with annual revenue of more than JPY 200M has been reduced to 1.1025%. For completeness, the standard rate for companies generating less than JPY 200M of annual revenue is 1.05%.

Fixed Asset / City Planning Tax

In case a power generation company holds land, fixed asset tax is levied at 1.4% of the government assessed value of the underlying land.

Assessed values are derived through detailed calculations and are generally not a reflection of the true fair market value of the property or the acquisition price. Assessed values are re-assessed by the local authorities every three years.

City planning tax of 0.3% is also levied on the assessed value for land and buildings which are located in certain municipalities and held as at January 1 of each year.

Depreciable Asset Tax

Any depreciable assets (excluding buildings) should broadly be subject to annual depreciable assets tax at 1.4% of their net book value.

Consumption tax

Project acquisition costs, development costs, O&M and EPC fees as well as purchases related to construction in Japan will typically be consumption taxable transactions. The relevant consumption tax rate is 10%.

Broadly, the creditability of such tax is in principle a function of whether the relevant entity becomes a consumption taxpayer for domestic tax purposes and the extent of consumption taxable sales which such taxpayer makes relative to its total sales.

In the case of power generation companies, it should be possible to credit substantially all consumption tax paid in connection with the development of the facilities provided the relevant entity is considered a taxpayer, as materially all sales should be power revenues, which are consumption taxable sales. Creditable tax in excess of payable consumption tax on taxable sales for a fiscal year should be refundable.

Special tax regime

Special measures related to the taxation of renewable energy facilities (depreciable asset tax)

A reduction in depreciable asset tax is available for eligible wind power generation facilities which are authorized to participate in the feed-in tariff regime. For facilities with an output of at least 20 kW, the taxable basis related to wind power generation facilities / equipment (excluding buildings) subject to depreciable asset tax is reduced in principle to 2/3 for three years from the year in which depreciable asset tax is imposed (broadly, this should be from the first calendar year to commence following the commercial operations date).

Please note that each local government may independently set a new rate of reduction within ± 1/6 of the above 2/3 ratio (i.e. 1/2 — 5/6).

These incentives should be available for assets acquired or completed by 31 March 2026.

Jordan

Jordan Tax Regime overview

A. Corporate Income Tax

CIT (Corporate Income Tax)

The Income in Jordan imposes a tax on the income which is derived or earned in / from Jordan. All persons are liable to pay corporate income tax on the income arising from their activities in Jordan.

Taxable companies include: All types of registered companies, whatever their form or purpose (including foreign operating company i.e., branches), with the exception of those specifically excluded from corporate income tax; Non-resident companies, with regard to their Jordanian source income; and public undertakings and state enterprises of an industrial or commercial nature.

Tax is payable on the gains or profits from any work, craft, business, profession, vocation, from any single transaction which may be considered as trade or business, and from any other source which is not expressly included.

The measure of taxable income of a company generally follows the accounting recognition of that income under IFRS with some adjustments for non-deductible items, tax depreciation and some tax incentives.

Tax Rates

Generally, income is taxed in Jordan based on a territorial base using Jordan as single tax jurisdiction at a rate of 20% including construction companies except for financial companies, insurance companies, financial leasing companies and primary telecommunication companies and power sector companies which are tax at a rate of 24%.

CIT (Corporate Income Tax) Exemption

With respect to the aforesaid and pursuant to the prevailing income Tax Law No 34 for year 2014 companies operating in generating electricity sector in Jordan are subject to corporate income tax rate of 24% under prevailing Income Tax Law No 34 for the year 2014 and related amendments.

National Contribution Tax

Under Income Tax Law, an account called the (National Contribution Tax Account) is established at the minister shall allocate the assets of this account in the general budget to settle the public debt. The revenues of this account shall consist of the following:

A. (3%) of the taxable income of banks and electricity distribution and generation companies.

B. (7%) of the taxable income of basic material mining companies.

C. (4%) of the taxable income of financial intermediaries, financial companies, and legal persons undertaking financial leasing activities.

D. (2%) of the taxable income of telecommunication companies, insurance companies, and reinsurance companies.

E. (1%) of the taxable income of all other legal person.

Tax Incentives

The Government of the Hashemite Kingdom of Jordan has provided tax incentives and benefits to IPP Project companies (IPP1,IPP2,IPP3,IPP4,IPP5) and Attarat Project compnay. In addition to renewable project compnies under round 1 and 2 beding with NEPCO based on Cabinet Decisions issued by the Prime Ministry and agreements signed with NEPCO and the Government of Jordan. These incentives include exemptions from stamp duties, as well as exemptions from general sales tax (GST). Additionally, the purchases and imports of these companies, whether goods or services, are GST exempt in accordance with Exemption granted. Furthermore, energy generation companies have been granted protection from any changes to Jordanian laws (Details of tax incentives are illustrated in Annex attached to this Report).

B. Withholding Taxes

Service fee income paid by resident companies to non-residents parties are subject to withholding income tax. All withholding taxes are levied on gross payments.

Imported services from non-resident by local companies, provided that such services are considered taxable in Jordan pursuant to Jordan Income Tax Law, are subject to WHT at 10%. e.g., services imported from outside Jordan and rendered outside Jordan are subject to 10% provided that the place to benefit from the final outputs of such imported services is Jordan). Gross interest derived by non-resident parties, royalties paid to non-resident parties and service fees & management fees derived by non-resident parties are subject to a final withholding tax at the rate of 10% on the gross amount (subject to any reduction available under tax treaties).

Due date for remitting WHT is 30 days from the earliest of accrue date, or payment date. Failing to do so, will trigger late payment penalties of 0.4% on the amount of WHT due per each week delay. No formal WHT return is due in Jordan. A form should be completed and submitted along with the payment.

Renewable energy in Jordan is exempt from WHT; while, for IPPs, the WHT exemption applies only to WHT on interest and fee related to foreign Lenders.

WHT (retention) on locally provided services

Companies in Jordan are liable to withhold (retain) 5% on Local certain services (e.g., legal services, and professional services) provided locally by civil companies or individuals only. The time for WHT payment is also 30 days from the payment date (differently from imported services which is the earliest of accrual date or payment).

Any WHT that cannot be claimed as a credit against corporate tax liability due in the hand of the recipient of fees, shall be a final cost to the recipient.

C. General Sales Tax (GST) equivalent to (VAT)

Under Jordanian prevailing GST Law, a taxable person is one who imports or supplies taxable goods or services, or both.

There is no registration threshold for importers. However, resident suppliers of goods and services are liable for GST only if their sales or services volume exceeds the following thresholds during any consecutive twelve months or any part thereof:

- JOD 10,000 for manufacturers subject to the special sales tax.
- JOD 30,000 for services.
- JOD 75,000 locally trade activities and manufacturers subject to the general sales tax

Provision of goods and services are subject to 16% GST as well as imported services GST paid by the local company receiving the service (via the reserve charge mechanism).

Renewable energy companies are exempt from VAT on both inputs and outputs, including sales and purchases. Additionally, revenue from power generation is also GST (VAT)-exempt.

D. Stamp Duty

An ad valorem stamp duty of 0.3% or 0.6% is levied on specific documents.

The person liable for the stamp duty could be a buyer or seller and it depends of the person who enforce the document validity before the competent authorities in Jordan. However, contracts related to renewable energy project are enjoy exemption from Stamp duty fee in connection with the project agreements.

E. Transfer Pricing

ISTD has issued on 7th of June 2021 a Transfer Pricing Regulation No. (40) of the year 2021 was applied in Jordan and applicable for the below:

DFCT & Affidavit

Deadline: 120 days from the Financial Year end

Deliverables: Jordan TP Bylaws require DF to be submitted electronically by taxpayers engaged in Controlled Transactions (i.e. transactions between two or more related enterprises), irrespective of the value, if value of intercompany transactions exceed JOD 500,000 in a financial year. Along with the DF, taxpayers would also be required to produce an Affidavit issued and signed by a licensed auditor in the jurisdiction. The Affidavit aim is to certify if the TP policy of the MNE Group is consistently applied by, and in relation to, the taxpayer.

- DF (in excel format) signed Affidavit to be uploaded on the tax authorities website, as well as to be attached to the CIT return.

CbCR Notification

Deadline: 120 days from the Financial Year end.

Deliverables: -As per the Jordan TP Bylaws, a CbCR Not will be required to the members of

a Multinational Enterprise ('MNE') Group only if the consolidated group revenue exceeds JOD 600 million as per the consolidated financial statements of the MNE Group.

Local File

Deadline: 12 months from the Financial Year end.

Deliverables: Entities with Arm's Length value of Controlled Transactions exceeding JOD 500,000 are required to prepare and maintain a LF under the Jordan TP Bylaws in compliance with local requirements.

Master File

Deadline: 12 months from the Financial Year end.

Deliverables: -Entities that make part of a Multinational Group with Controlled Transactions in excess of JOD 500,000 are required to prepare and maintain a MF under Jordan TP Bylaws in compliance with local requirements.

CbCR report secondary filing

Deadline: 12 months from the Financial Year end

Deliverables: As per the Jordan TP Bylaws, a CbCR Report secondary filing in Jordan will be required to the members of a Multinational Enterprise ('MNE') Group only if the consolidated group revenue exceeds JOD 600 million as per the consolidated financial statements of the MNE Group.

F. Accounting principles & Deductibility of expenses

In general Income Tax Law requires tax payers to calculate the corporate income liability in accordance with financial statements prepared in accordance with IFRS.

Fixed assets are required to be depreciated using the depreciation rates used for tax purposes, and as for fully or partially exempted projects from Corporate Income Tax , those rates shall be adopted and it is not allowed to use rates less than specified during exemption period. As an example, the following rates applied to different assets:

PP&E Software	50%
PP&E Buildings	2%
PP&E Industrial Buildings	4%
PP&E Office Furniture & Equip	10%
Vehicles	15%
Other equipment	20%

Power Plants are depreciated at 20% (i.e over 5 years) for CIT purposes.

As for Amortization of intangible assets, intangible assets in general are amortized at rate of 10%.

Straight line method for deprecation is adopted by Tax Authority.

Accelerated depreciation is allowed during the partial tax exemption period except for projects enjoying corporate tax rate incentives such as power sector companies which enjoys CIT incentive.

Thin capitalization

Under the New prevailing Income Tax Law and related amendments effective January 1, 2019, a thin cap rule at a ratio of 3:1 debt-to-equity ratio is to apply to related-party debts. Accordingly, interest incurred in relation related-party debt exceeding this ratio will not be deductible for tax purposes and can't be carried forward.

Thin capitalization rule reflects the acceptable interest on the related parties' debt only. No restriction shall apply on unrelated party financing (such as Senior loan) if it is used in business.

It is worth noting that related party is defined as the Jurisdiction person who owns more than 50% of the other Jurisdiction person or has control over decisions making in the other Jurisdiction person. Or Natural person who owns more than 50% of the other jurisdiction person.

The Thin cap rule is calculated by limiting the interest deduction on related party's debt to three times the higher of; Average Paid-up Capital or the average total equity. Any excess interest shall not be deducted for tax purposes or carried forward.

(Annex) Renewable Energy Project

Project Tax Exemptions

- First tax year and for 10 year in which taxable income arises following commercial Operation Date and for a total of 10 years.
- For the DBOM Contractor, 75% relief from income tax that would otherwise be levied on the DBOM Contractors or

its subcontractors, starting from the first tax year in which taxable income arises following the DBOM Contractor's registration in Jordan (irrespective of whether such registration was of a foreign operating company [branch] or a Jordanian company [local] for a total of 10 years and provided further that such relief shall include exemption from all taxes on income, withholding taxes or sales taxes that may arise in respect of any payments that are made to the DBOM Contractor prior to the date of registration in Jordan in respect of design and building/ manufacturing works executed outside the Jordan.

- Exemption from all customs and other duties, tax, fees, returns, levies that would otherwise be due on any equipment "fixed assets" or spare parts associated with the project that are imported by the developer , the Project Company , its subsidiaries, contractors or sub-contractors.

- Exemption of the developer, the Project Company, its subsidiaries, contractors and sub-contractors, investors and Lenders from general sales tax and withholding tax on income relating to local or imported services, in addition to all goods and materials purchased locally or imported that are purchased for the Project and irrespective of whether the purchase was made by the developer or the Project Company, its subsidiaries, contractors or sub-contractors.

- Exemption for non-Jordanian investors and financiers from income tax and general sales tax which may arise on interest payments, fees and any instalments resulting from finance agreements, or from the extension or re-financing of foreign loans extended to the Project Company by non-Jordanian financiers, in accordance with the Finance Documents and, further, exemption from income tax for any payments made to such non-Jordanian investors and financiers by the Government of Jordan in compensation in accordance with the provisions of the Government Guarantee Agreement and/or the Lenders' Direct Agreements.

- Exemption of the Project and all agreement associated with the Project from stamp duties and universities fees that may arise on any such contracts including, without limitation, the Project Agreements, the Financing Documents, the Land Lease Agreements, any agreements associated with the supply of water, any agreements with the Project Company's subsidiaries, contractors, sub-contractors and any other agreements or contracts which are needed to implement the Project and make it a reality.

IPP's Project Exemption:

Article 13 of IA approved by Jordan Cabinet stipulates:

- The Project Company, the Mining Contractor and the O&M Contractor shall be exempted from seventy five per cent (75%) (some companies enjoys 25%)of the income tax or similar taxes applicable to the Project Company, the Mining Contractor and the O&M Contractor, respectively, for a period of ten (I0) years from the Unit 2 Commercial Operation Date.

- All equipment, machinery, vehicles, mining vehicles, mining trucks, materials, consumable supply items, spare parts and services required for the Project that are imported from abroad, including any of the above that is imported by the Project Company, the Construction Contractor, the Mining Contractor, and the O&M Contractor, shall be exempted from taxes, import charges, customs duties and other fees, including but not limited to general sales tax, special tax and withholding tax.
- All equipment, machinery, vehicles, mining vehicles, mining trucks, materials, consumable supply items, spare parts and services required for the Project that are purchased from the local market shall be exempted from general sales tax.
- The sales of goods and services by the Project Company and its Construction Contractor, the Mining Contractor and the O&M Contractor, for the purposes of the Project shall be exempted from general sales tax or similar taxes.
- The Project Company shall be exempt from any requirement to pay general sales or other tax or to make any withholding in respect of the Royalty Payment under the Mining Agreement.
- The Project Agreements and Financing Documents and any agreement (including agreements between the Project Company's Construction Contractor, the Mining Contractor, the O&M Contractor and their sub-contractors and agreements between such sub-contractors) for the implementation of the Project shall be exempt from stamp duties.

Kazakhstan

Corporate income tax

The corporate income tax rate payable by most legal entities is 20% of taxable income. Various small companies may qualify for special tax regimes specifying lower tax rates. The taxable income is measured as gross income less expenses connected with the generation of income. Interest expense, entertainment expenses, and certain other expenses are deductible only within established limits. Besides deducting expenses, legal entities may carry operating losses forward for up to ten years for offset against income of future periods. In addition to corporate income tax, a permanent establishment of a foreign legal entity is subject to branch profits tax equal to 15% of its net after-tax income. This results in an effective tax rate of 32% for permanent establish companies.

Kazakhstan has no special provisions in the Tax Code that would separately regulate the taxation of wind and solar farms as well as for hydroelectric power, except when they are executing an investment project under an investment agreement signed with the government of Kazakhstan.

Depreciation

Depreciation expenses may be deducted for corporate income tax calculation purposes. Depreciation rates for each category are as follows:

- Buildings and structures (excluding oil and gas wells and transmission facilities): 10%
- Machinery and equipment (excluding oil and gas production machinery and equipment, and computers and information processing equipment): 25%
- Computers, software, and information processing equipment: 40%
- Fixed assets not included in other categories (including oil and gas wells, transmission facilities, oil and gas production machinery and equipment): 15%

For tax purposes in Kazakhstan, wind power turbines or wind power generators should be classified as machinery and equipment, whereas wind turbine towers should be categorized as structures.

Value added tax

Registration as a VAT payer is required for all individuals and companies that conduct business activities in Kazakhstan and have cumulative taxable revenues more than 30 000 times monthly index factor during a calendar year. The standard VAT rate is 12% and applies to revenues derived from the sale of goods or services within Kazakhstan and to the importation of goods into Kazakhstan.

0% VAT applies to exports of goods from Kazakhstan and to international transport services. Certain activities are specifically exempt from VAT. The list of exempt activities includes, among others, sale and lease of land and land use rights (except for land used for parking passenger vehicles), financial services, insurance services, and medical services. However, the legislation does not provide VAT exemption for energy producing organizations engaged in the production and sale of electricity using wind power plants.

Other taxes

Excise Tax

Certain items imported into or produced in Kazakhstan are subject to excise tax. These goods include all kinds of alcohol spirits and beverages, tobacco products, petrol (except for aviation fuel), diesel fuel, certain motor vehicles, crude oil, gas condensate, and medical products containing spirits. Tax rates are measured as a fixed amount per unit or volume, depending on the type of excisable good.

Land Tax

Entities that own or use a land parcel are required to pay a land tax. The tax rate depends on the quality score assigned to the land by the governmental authorities and is established in the form of annual fixed payments per unit of land area.

Property Tax

Entities owning or using buildings, structures, dwellings, premises and other structures firmly fixed on the ground must pay property tax on such assets. The property tax rate payable by most legal entities in Kazakhstan is 1.5% of the average annual book value of the taxable assets. Property tax applies regardless of whether profit is derived from the use of the assets.

As mentioned earlier, wind power turbines or wind power generators are classified as equipment and consequently should not be considered for property tax calculation purposes. However, wind turbine towers should be recognized as structures and should be considered for property tax calculation purposes.

Vehicle Tax

Entities that own or use vehicles registered in Kazakhstan are subject to an annual vehicle tax. The tax rate depends on the vehicle's engine volume and the type of vehicle.

Special regulations

Investment project

The following incentives are granted for investments in priority sectors of the economy on the basis of an investment contract concluded between the investor and the state.

- Exemption from customs duties and VAT for import.
- Exemption from corporate income tax (up to 10 years), land tax (up to 10 years) and property tax (up to 8 years).
- Reimbursement of up to 30% of the actual investments in fixed assets.
- Stability of tax legislation.

The list of priority sectors of the economy currently includes industrial infrastructure, processing industries, housing construction,

the social sphere (education, medical, sports and entertainment facilities), tourism, communication, production of nuclear materials and agriculture.

Thus, in accordance with the legislation of the Republic of Kazakhstan, energy producing organizations engaged in the production of electricity through wind power plants, solar power plants, hydroelectric power plants and implementing investment projects may benefit from above tax incentives and preferences.

Guaranteed Renewable Energy Purchase

In Kazakhstan, the Single Electricity Purchase System supports renewable energy producers by allowing them to sell their electricity to a centralized buyer, the Financial Settlement Center for Renewable Energy. This system offers fixed tariffs and long-term power purchase agreements (PPAs), ensuring stable revenue and reducing market risks. It simplifies grid integration and helps Kazakhstan achieve its renewable energy targets by providing a predictable and secure market for wind and other renewable energy sources.

Kenya

Regulatory Landscape

Wind power in Kenya is part of the Governments key strategy to ensure that Kenya achieves 100% renewable energy target and has a total potential of 346 W/m2. The regulatory landscape for renewable energy in Kenya and more specifically wind energy targets to create a conducive environment for investments into the Sector. At the heart of this is the Energy Act of 2019, which serves as the bulwark of all legislation in the energy sector and aims to facilitate the advancement of renewable energy sources. The Public Private Partnerships Act of 2021 complements this by establishing a robust framework for public project procurement, inclusive of utility-scale power projects, after thorough consultative processes. Additionally, the Climate Change Act of 2016 mandates the government to formulate a National Climate Change Action Plan outlining strategies for incorporating renewable energy across various key sectors. Further support comes from the Ministry of Energy and Petroleum through the Renewable Energy Auction Policy, designed to administer the procurement of wind power and other renewable projects exceeding 20 MW via competitive auctions. This auction-based approach seeks to foster competitive pricing and guarantee cost efficiency in project development, aligning with Kenya's strategic vision encapsulated in the Least Cost Power Development Plan and the Integrated National Energy Plan.

Corporate Income Tax

Resident companies are taxed on income that is either accrued or derived from Kenya. Additionally, income generated from business activities conducted abroad by these companies is also subjected to taxation. On the other hand, non-resident companies are taxed solely on the trading profits attributable to their Permanent Establishments (PE) in Kenya.

The Corporate Income Tax (CIT) rate for both resident companies and the branches or PEs of foreign companies is established at 30%. However, the Finance Act of 2023 introduced withholding tax on the repatriated income of foreign company branches and PEs at a rate of 15%, aligning it with that of incorporated Kenyan companies owned by non-residents.

Special Rates

In a bid to attract foreign investment the government has also put in place special CIT rates for certain resident and non-resident entities. Export Processing Zone (EPZ) enterprises enjoy a 0% tax rate for the first ten years, a rate of 25% for the subsequent ten year, and 30% thereafter. Special Economic Zone (SEZ) enterprises face a 10% rate of CIT initially for ten years, followed by a rate of 15%

for the next ten years. For companies that are newly listed on the securities exchange they benefit from a reduced rate of 25% for the first five years. Non-residents earning gross income from Kenya are taxed at special rates for specific income types, such as 5% for message transmission, 2.5% for ship and aircraft operations, and 2.5% for demurrage charges.

Investment Allowances

Kenya has a 150% investment deduction allowance to projects where the cumulative investment value for the preceding four years from the date the provision came into effect or the cumulative investment for the succeeding three years outside Nairobi County or Mombasa County is at least KES 2 billion.

Withholding Tax Obligation

A company is obligated when making certain payments such as management/ professional fees, dividends interest and deemed interest among others to deduct tax at the applicable rate and remit the same to the commissioner on behalf of the recipient. For residents withholding tax is either a final tax or creditable against corporate income tax whilst for non-residents withholding tax is a final tax. The rates of WHT applicable for non-residents may vary if the payee is a resident of a country which has a double tax agreement with Kenya that provides a different rate.

Transfer Pricing

A company that has related-party transactions is required to ensure such transactions are at arm's-length. The company is therefore required to prepare transfer pricing documentation to justify the pricing arrangements. The Commissioner is allowed

to specify conditions and procedures on the application of the methods for determining the arm's-length price and to adjust the prices if they do not conform to the arm's-length principle. The documentation should be prepared and submitted to the KRA upon request.

Exit Implications

The tax implications on exit arise where the company decides to dispose off its assets and the consideration received for the assets exceeds the cost base of the assets disposed off. Where the consideration exceeds the cost, the company would be required to pay 15% as tax on the gain on the disposal at the point of the vendor receiving the full purchase price or on the registration of the transfer. Capital gains is included as gross income in the corporate income tax return for the year of income in which the disposal takes place. In case of a loss on disposal, the company will be allowed the loss as a deduction if such is included in the gross income in the year of income in which the disposal occurred. The company will not have to pay tax on a gain arising out of a disposal of its assets if such a disposal was involuntary and the proceeds from the disposal are reinvested in an asset of a like kind within one year of the disposal.

Value Added Tax

VAT Registration and Rate

In Kenya companies are to register for VAT if they make or expect to make taxable supplies or sales of KES 5 million or more in any 12-month period. The supply of power in Kenya is not exempt from VAT and therefore will attract VAT at a rate of 16%. This is to be declared in the monthly VAT returns by the 20th day of the month following the month including when there is no sale in which case a NIL return is filed.

Recovery of Input Tax Credits

Companies are entitled to claim input tax deductions at the end of the tax period to which the taxable supply or importation occurred and is valid for six months after the end of the affected tax period. Excess input tax is carried forward and deducted in the subsequent tax period or refunded to the taxpayer.

Customs Taxes

Import duty will be payable by a Wind Power Operator on importation of goods that are not exempted under the 5th Schedule of the East African Community Customs Management Act.

This duty is computed on the ad valorem value of the goods as determined using the methods in 4th Schedule to the East African Community Customs Management Act. The import duty rate depends on the item being imported.

Stamp Duty

Lease of Land

Where the company leases land to set up the wind power plant, it will be liable to pay stamp duty of 1% of the annual rent where the period is of three years or below and 2% of annual rent when the period is over three years. It is payable upon execution of a lease instrument.

Transfer of Shares

Stamp duty of 1% of the total value of shares transferred will be payable upon execution of a share transfer instrument. Stamp duty at a rate of 1% is also applicable on the issue and increase of share capital.

Latvia

Corporate Income Tax

The concept of the Latvian CIT regime, applicable from 2018, is based on two main principles:

- The payment of CIT is delayed until income is distributed, or expenses that do not contribute to generating revenue or supporting the development of the company are incurred; and
- The rate is 20% for gross distributed income, calculated as 0.2/0.8 on net dividends distributed or non-deductible expenses

The following items are treated as profit distribution and are subject to CIT:

- Dividends
- Deemed dividends, such as share capital reduction, if the increase was made through the capitalisation of profit, or liquidation quota
- Other taxable items:
- Non-business expenses
    - Representation and personnel sustainability expenses exceeding 5% of the previous year's total gross salaries
    - Non-qualifying provisions for bad and doubtful debts older than 36 (in some cases 60) months, and bad debt write-offs
    - Interest expenses exceeding thin capitalisation thresholds:
        - On average non-bank debt exceeding four times the equity at the beginning of the financial year
        - If interest expense is above EUR 3 million, the amount which is above 30% of EBIDTA
    - Long term (>12 month) loans issued to related parties while having retained profits, except for:
    - Loans to direct subsidiaries
    - Loans not exceeding the amount of loans received from third parties, or the amount of capital and profit earned before 2018
    - Transfer pricing adjustment for tax purposes

Tax depreciation: the concept of fixed asset depreciation for tax purposes is no longer part of the CIT model. Financial depreciation is a normal expense deductible for tax purposes, except for the depreciation of luxury vehicles (i.e., cars with a value exceeding EUR 75,000, excluding Value Added Tax (VAT)) and assets not used for business.

Taxation period

The taxation period is a calendar month. If a taxable event occurs, the return should be filed by the 20th, and the CIT is payable by the 23rd of the following month. The tax point is when the liability is created, e.g., a non-business expense is booked, or a shareholder decision on dividend distribution is made. Non-business expenses and dividends have to be declared monthly, while all other taxable items have to be reported in the CIT return of the last month of the financial year.

Tax allowance for donations

There are three options for allowance for donations made to Public benefit organisations:

- The donation is treated as a deductible cost if it is:
  - up to 5% of the previous year's profit after tax
  - up to 2% of the previous year's total gross salaries, on which SSC was paid
- CIT on dividends can be reduced by 85% of the donation, not exceeding 30% of the CIT on dividends.

Capital gain

There is no separate Capital Gains Tax in Latvia for legal entities (gains are part of the ordinary income). All capital gains are, therefore, taxed when the profit is distributed.

The Latvian Law provides that gains from the disposal of shares are tax- exempt if these shares have been in the seller's possession for at least 36 months, and not more than 50% of the company's assets are made up of real estate in Latvia.

Sale of real estate located in Latvia, or shares in a real estate company, by a non-resident are subject to a 3% withholding tax in Latvia. The non-resident can opt to pay tax of 20% from the actual capital gain by submitting a tax return and providing information on acquisition costs. The tax is applicable not only where the acquiring party is a Latvian entity, but also where the transaction takes place between two foreign parties. In this case the tax has to be paid to the Latvian State by the Seller within 30 days of the transaction.

Dividend taxation

Dividends' passing through' companies are not taxed with CIT, if the CIT was paid or WHT withheld at source when initially distributing dividends or the company distributing dividends is a CIT payer in the country of residence. This exemption does not apply to:

- Dividends received from a company established in a jurisdiction with low or no taxes;
- Micro-enterprise taxpayers;
- If the primary purpose of a structure or transaction is to use allowances stated in the CIT Law.

Dividends paid from "old" retained earnings, those accumulated by 31 December 2017, are not taxed on distribution. The tax treatment of dividends will follow the FIFO method (i.e., until "old" retained earnings are distributed, no corporate income tax is payable). Losses incurred reduce the earliest profits first.

Withholding tax rates in 2024		
Type of payment	Tax rate	Comments
Management fees	20%	Applying a Double Tax Treaty (DTT), the rate can be reduced to 0% subject to a valid residence certificate provided by the non-resident
Rent of real estate located in Latvia	5%	-
Disposal of real estate located in Latvia	3%	There is an option for a foreign seller to pay 20% tax from capital gains
Dividends, Interest, Royalties	0%	-
Payments to offshore jurisdictions	20%	The domestic list of offshore jurisdictions is aligned with the EU list of non-cooperative jurisdictions for tax purposes (EU list of non-cooperative jurisdictions for tax purposes - Consilium (europa.eu))

Wind power companies in Latvia are subject to the same corporate income tax rules that apply to all other companies.

Value Added Tax

The taxable base is the value of supplied goods or services. The VAT registration threshold is EUR 50,000.

The standard VAT rate is 21%. There are also reduced rates, at 12%, 5% and 0%, as well as VAT-exempt transactions.

VAT on supply of electricity

The sale of electricity generated by wind power entities is considered as a provision of goods for Latvian VAT purposes and generally subject to the standard VAT rate of 21%.

The following are examples of transactions subject to the VAT rate of 0%

- Export of goods and intra-community supplies
- Services related to the transportation of export, import, and transit goods
- Services that are directly related to goods that are imported from third countries and are not released for free circulation within the EU, and that are declared within a free zone territory or customs warehouse
- Supplies of goods and services connected with international transport and rescue ships
- International passenger transportation
- Supplies of goods and services under diplomatic and consular arrangements.

The following are examples of VAT-exempt transactions

- Transactions in shares and other securities
- Banking and financial services excluding hire of safes and encashment
- Insurance services
- Services closely linked to welfare and social security work
- Provision of medical care
- Educational services
- Sale of real estate, excluding the sale of unused real estate
- Rental of residential premises
- Betting, lotteries, and other forms of gambling.

Special provisions:

- The possibility of forming VAT groups
- A special tax regime for import VAT
- The possibility to correct input VAT by reducing VAT payable to the budget for the amount of tax on a bad debt
- The option to choose to apply VAT to the sale of used real estate
- The VAT domestic reverse charge is applicable to construction services , the supply of timber, unprocessed precious metals, precious metal alloys, metals clad with precious metals, scrap metal, semi-finished ferrous and non-ferrous metal, grain crops, industrial crops, mobile phones, tablets, laptops, integrated circuit devices, and game consoles

VAT domestic reverse charge for construction

Reverse charge is applied to construction services if the following conditions are met:

- The provided construction services qualify as "construction work."
- The construction services are provided domestically (in Latvia).

- Both the provider and the recipient of the construction services are registered as domestic VAT payers.

Rights to deduct input VAT

A VAT payer can reclaim input VAT on expenses, provided that the goods or services purchased are used for VAT-taxable activities. This includes input VAT on costs during the development phase of a wind park, as long as it can be proven that the intent is to conduct VAT-taxable activities in the future.

Real Estate Tax

Real Estate Tax is applied to land, buildings, and engineering structures. In wind parks, land and the wind turbine itself would be subject to tax unless exempt. The wind turbine is classified as an engineering structure, specifically as a power station structure, according to the local rules, which is not subject to real estate tax.

Tax for land is 1.5% of the cadastral value.

Electricity Tax

The following are subject to Electricity Tax:

- Electricity supplied to end-users (including electricity generated from renewable energy).
- Electricity used for the production of thermal energy.
- Electricity supplied for own needs during the tax period (including for administrative buildings).

The rate applied to electricity is EUR 1.01 per megawatt hour, and the taxation period is one calendar month.

Electricity, if it is directly used for ensuring the electricity production process or for distribution and transmission of electricity (e.g., electricity losses), is not subject to Electricity Tax.

Electricity directly used to support the electricity production process is exempt from Electricity Tax, such as electricity used to operate production equipment (e.g., pumps, turbines). The exemption can be applied if the electricity producer maintains a separate record of the electricity consumed in the production process. Currently, the Electricity Tax law does not specify the process of applying for the exemption. Companies that pay Electricity Tax and submit Electricity Tax returns can indicate the amounts of electricity subject to the exemption in separate rows.

All electricity producers must register with the Public Utilities Commission of Latvia. On an annual basis, a state duty must be paid to the Public Utilities Commission of Latvia of 0.2% of the net turnover in the year before the last calendar year (e.g., the duty for 2024 would be calculated from the net turnover in 2022), but no less than EUR 200.

Natural Resource Tax

Natural Resources Tax (NRT) is paid by companies (both residents and non-residents) which:

1. are the first to sell goods that are harmful to the environment or first to sell goods in packaging in the territory of the Republic of Latvia or
2. import and use such goods for ensuring their business activities, including primary, secondary and tertiary packaging, which is imported along with the goods.

Packaging is a set of items added to goods, which are used to pack, protect, contain, deliver, store, easily use and sell raw materials and finished goods.

The NRT rates depend on the type of object subject to NRT; the taxation period is one quarter.

The NRT Law does not specifically address objects related to wind turbines that are subject to NRT (as it is in case with solar parks).

The following items, if they are a part of the wind turbine, could potentially be considered as taxable objects:

NRT tax rates in 2024		
Object	Tax rate per kg	Comments
Accumulators or batteries*	EUR 0.74-EUR 17.03	The NRT rate depends on the type of accumulator or battery. *In which the produced electricity is stored, if any.
Invertors	EUR 3	According to the NRT law, NRT is applied specifically to the invertors for solar panels. However we recommend to confirm with the State Environmental Service of Latvia whether invertors for wind turbines are taxable object.
Packaging of goods and products	EUR 0.44-EUR 44	The NRT rate depends on the type of packaging. NRT is paid for the packaging that remains in Latvia.

It should be noted that the companies which produce or first bring into the territory of Latvia electronic and electronic devices (including accumulators and batteries) are required to register with the Register of Manufacturers of Electrical and Electronic Equipment.

Payments for local community development

In 2024, compensation payments for discomfort caused by wind turbines located near residential properties have been introduced, taking effect from August 30, 2024. The new regulations outline the procedure by which an electricity producer that has installed a wind park with a capacity of 1 MW or more in the territory of Latvia, in internal marine waters, in territorial waters, or in the exclusive economic zone, must make payments for local community development.

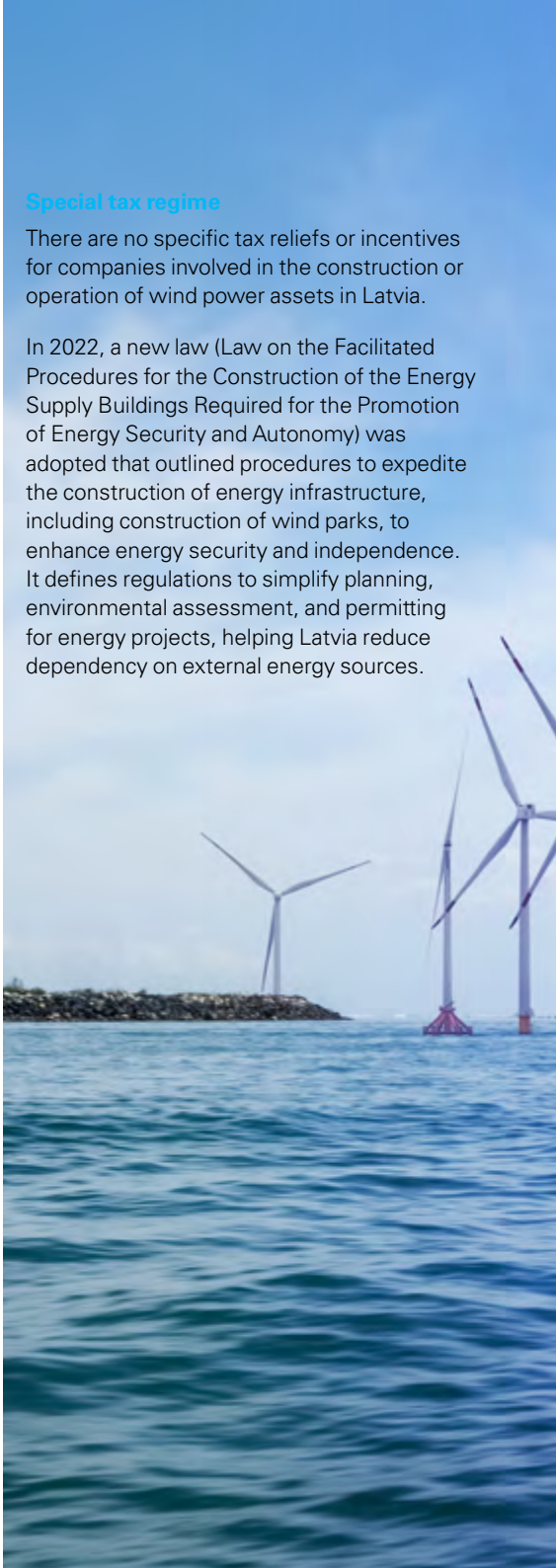
The payment amount is EUR 2 500 (without VAT) per installed MW of capacity per year (rounded up). There payments need to be made to the local municipalities where the turbines are located, which then distribute the compensation amounts to eligible residents.

Compensation will be available to residents currently living in the areas where the turbines will be installed. The benefit for a resident will range between one to three monthly minimum salaries. The minimum salary in Latvia in 2024 is EUR 700. The compensation will not be subject to personal income tax.

Special tax regime

There are no specific tax reliefs or incentives for companies involved in the construction or operation of wind power assets in Latvia.

In 2022, a new law (Law on the Facilitated Procedures for the Construction of the Energy Supply Buildings Required for the Promotion of Energy Security and Autonomy) was adopted that outlined procedures to expedite the construction of energy infrastructure, including construction of wind parks, to enhance energy security and independence. It defines regulations to simplify planning, environmental assessment, and permitting for energy projects, helping Latvia reduce dependency on external energy sources.



Lithuania

General

Currently Lithuania has a number of operative onshore wind farms, including several onshore wind farms currently under construction. On 31 March 2022 Lithuanian Parliament adopted a package of laws for the development of offshore wind energy in the Baltic Sea and gave the green light to the emergence of the first offshore wind farm in Lithuania. The auction for the developer of Lithuania's first offshore wind farm was successfully conducted in 2nd half of 2023. The project is being led by Ignitis Renewables and Ocean Winds. The offshore wind farm is now expected to be operational around the year 2030. Lithuania is seeking for an investor to develop a second offshore wind farm. Together the two wind farms are anticipated to supply approximately half of Lithuania's current electricity demand. The winner of the tender is expected to be announced in June 2025. Nevertheless, there are some ongoing public discusions in the Parliament and the Goverment about possible suspension of the public tender until the economic feasiblity of the project is assessed.

As development of offshore activities in Lithuania currently has no precedent, Lithuanian Government has not yet established any specific rules regarding taxation of offshore activities in Lithuania. Thus, the provided summary is applicable only to the onshore wind farms.

Corporate income tax (CIT)

Companies operating the onshore wind farms in Lithuania are subject to the same CIT rules that apply to other companies. Lithuanian statutory CIT rate is 16%. Taxable profits are arrived at deducting tax exempt income, allowable and partly allowable expenses from taxable income. Also, there are specific tax rules that govern the tax treatment of certain income and costs (e.g. tax depreciation, tax incentives related to fixed assets, the deductibility of interest, provisions, etc.) which means the taxable result may deviate from the accounts. Tax losses can be off-set against taxable profits and grouping tax losses are applicable.

Capital gains (participation exemption)

Capital gains are tax exempt and capital losses are non-tax deductible, if they are derived from the transfer of shares of an entity that is registered in Lithuania or another EEA country, or in a country which Lithuania has a double tax treaty with and is subject to CIT or equivalent tax (participation requirement: more than 10% of shares held continuously for at least 2 years). If the transfer of shares takes place during a corporate reorganization, the minimum holding period is 3 years.

Tax depreciation

Based on current tax legislation no specific rules are provided with regards to deprecation periods for windmills. Depreciation of fixed assets is usually calculated from the acquisition cost on a linear basis or using a double declining balance method over periods as outlined in the Lithuanian Law on CIT. Wind farm assets, depending on the type, are allocated to the "ordinary" depreciation groups. The minimum depreciation periods for the relevant fixed assets are the following:

- Installations (structures) - 8 years using a straight-line method. This may be draining systems, turbines, fundaments and other related constructions;
- Machinery and equipment - 5 years using a straight-line or double declining balance method. This may be windmills, including gear, rotor, generator, control equipment etc.

In Lithuania the company is allowed to use different depreciation periods for the financial accounting and tax accounting purposes. The above-mentioned restrictions for minimal depreciation periods and depreciation calculation types are set for tax accounting purposes.

Investment incentive for certain groups of fixed assets (applicable 2009-2028)

Investment project incentive is the most relevant CIT incentive offered by Lithuanian legislation regarding wind farm renewable energy business. By applying investment project incentive, the company could reduce its taxable profit for the current year up to 100% based on the amount invested (to

the assets that meet certain criteria). If the expenses of the investment project exceed 100% of the taxable profit, these expenses can be carried forward for the next 4 taxable years.

Investment incentive is applied until 2028, although it is likely to be extended as it has already been done in the past.

Thin capitalization and interest limitation

A certain part of interest paid to a controlling lender may not be deductible for CIT purposes. Under the thin capitalization rules, the non-deductible part of interest expenses is calculated based on a debt/equity ratio of 4:1

Simultaneously, interest limitation rule also applies. The exceeding borrowing costs shall be deductible in the tax period in which they are incurred only up to 30% of the taxpayer's taxable EBITDA. This restriction does not apply if interest expenses do not exceed EUR 3 million. Special rules apply to calculation of interest, EBITDA and group interest expenses.

Tax losses

Ordinary tax losses can be carried forward indefinitely if a taxpayer continues to perform business activities from which such losses occurred. Ordinary tax losses carried forward can only be set off against up to 70% of the calculated taxable profits of the taxable period. Capital losses from the disposal of securities or financial derivatives can be carried forward for 5 years and exclusively to set off gains from the disposal of securities or financial derivatives (applicable for non-financial institutions).

Grouping

Tax loss of a company incurred for the taxable period may be set off against the respective profit of another company forming a group provided the following criteria are met: the parent company directly or indirectly owns at least two-thirds of the shares in subsidiaries; and the transfer of losses is performed between companies that have continuously been members of the group for at least 2 years, or if the participants of the transfer have been a part of the group since their incorporation and will be part of the group for at least 2 years.

Grouping with a foreign loss is possible where the foreign entity transferring the loss is a tax resident in the EU and where there is no possibility to carry forward respective loss in that foreign country; additionally, such loss has to be calculated according to the rules of the Lithuanian Law on CIT.

Transfer pricing

If the value of a transaction conducted between associated persons differs from market conditions, the difference is subject to income tax. Qualifying companies must document their transactions with associated parties to prove that the prices applied are at arm's length.

Withholding tax

Dividends

Under the main rule Lithuania levies a 16% withholding tax (WHT) on outbound dividends. However, there are exemptions based on domestic CIT law as well as under applicable double tax treaties. Hence, dividends paid to a company holding not less than 10% of the shares granting the same percentage of votes for at least 12 months are tax exempt, except for dividends paid to tax haven countries.

Based on the special anti-avoidance provisions tax exemptions for dividends may not apply where the main purpose (or one of the main purposes of the arrangement) is obtaining a tax advantage.

It is possible to pay interim dividends in Lithuania.

Interest and royalties

Interest is subject to a 10% WHT rate. However, interest paid to an EEA company, or to a company registered in a country which Lithuania has a double taxation treaty with, is tax exempt.

Royalties are generally subject to a 10% WHT rate. Royalties paid to associated EU companies are exempt from WHT. Two companies are deemed to be associated companies if one of them directly holds at least 25% of the capital of the other, or a third EU company holds directly at least 25% of the capital of these two companies. A minimum holding period of 2 years is required.

Real estate tax (RET)

Real estate located in Lithuania is subject to real estate tax. RET is paid by entities owning real estate or leasing it form individuals. RET rates for legal entities range from 0.5% to 3% of the taxable value of real estate. The particular rate is established by the local municipalities (by 1 July of each year to cover the following year). Engineered structures (majority of wind farm assets, windmills) are valued using restoration cost method. Usually only the foundation of windmill is subject to RET (mast, turbine and wings are treated as movable property). However, it may depend on the type of windmill.

Land tax and land lease tax

Land tax is paid by the owners of private land. The land tax rates range from 0.01% to 4% of the taxable value. The rates are established by local municipalities by 1 July to cover the following year (or they are set by 1 December in specific years). Land tax is paid annually for the whole calendar year according to the taxable value of the land owned on 30 June of the current year. The taxable value is established based on the mass valuation method, which is intended to reflect the market price of the land.

Legal entities and individuals leasing state or municipality owned land must pay land lease tax, which is not less than 0.1% and not higher than 4% of the land value. A precise rate and payment dates for land lease tax are established by the local municipality in each individual case. The land value on which the land lease tax is estimated according to special rules is stated in the land lease agreement.

Value added tax

In general, a company specialized in the development and exploitation of windfarms qualifies as a taxable person for VAT purposes. Currently, the standard VAT rate (including supply of electricity) in Lithuania is 21% when transactions are deemed to take place in Lithuania for VAT purposes. If a company being a VAT payer uses the acquired goods, services for its VAT taxable activities, the incurred input VAT can be recovered.

In Lithuania, qualifying work in relation to immoveable property (e.g. construction) is subject to the local VAT reverse charge mechanism (certain conditions apply).

Excise tax

According to the Lithuanian Law on Excise Duties, electricity is subject to excise duties. A taxpayer is subject to tax if the electricity is:

- sold to an unlicensed person (licenses are regulated by the Lithuanian Law on Electric Energy);
- delivered to unlicensed person from another EU state;
- imported by unlicensed person;
- consumed for own use by licensed person or by the producer of electricity.

The rate of excise duties depends on use of electricity:

- excise rate is EUR 0.52 per MWh if the electricity is consumed for purposes of economic activity;
- in all other cases the excise rate is EUR 1.01 per MWh.

However, among other exemptions, if electricity is generated using renewable energy sources, it is exempt from excise duty. The declaration of excise duties is not filed if there is no payable excise duty.

Mexico

Corporate income tax

General

In Mexico, the obligation to pay Income Tax is governed by the Income Tax Law. The following entities and individuals are required to pay ISR:

Residents of Mexico: Individuals and legal entities (corporations) residing in Mexico are required to pay Income Tax on their worldwide income. Residency is determined by the primary place of residence or the center of vital interests.

Non-Residents with Mexican-Sourced Income: Non-residents who earn income from Mexican sources are also subject to Income Tax. This includes income from employment, business activities, real estate, and other sources within Mexico.

Permanent Establishments: Foreign entities with a permanent establishment in Mexico must pay Income Tax on income attributable to that establishment. A permanent establishment is a fixed place of business through which the entity conducts its activities in Mexico.

Foreign Residents with Mexican Investments: Foreign residents who invest in Mexican securities or financial instruments may be subject to Income Tax on the income generated from these investments.

The general Income Tax rate in Mexico for corporations is 30% while for individuals the tax rate is 35%.

Income Tax Law provides certain incentives to promote investment in renewable energy projects. These benefits aim to encourage the development of sustainable energy sources and reduce the environmental impact of energy production. Key benefits include:

a. Accelerated depreciation.

b. Anticipated payment of dividends free of Income tax

c. Exemption rule for no deduction of interest

In the following paragraphs we will explain these items in detail.

Depreciation rules

Income Tax Law states that investments shall be deducted via depreciation instead to deduct the expense in the year was incurred.

Companies shall use the maximum tax rate stated in the Income tax Law or can chose a small tax rate depreciation.

The tax rate that shall be used in the generation, conduction, transformation and distribution of electricity is 5%. The depreciation calculated on an annual basis shall be updated for the inflation triggered in México.

However, as part of the tax reform of 2014 companies that build or acquire equipment or machinery that generate energy from renewable sources can opt to deduct the 100% of the investment in the year that the assets are used for first time or in the following year.

Therefore, companies that the core business is the generation and distribution of renewable energy can opt to deduct in a single year the 100% of the equipment used or a lower rate if needed.

The requirement to deduct the equipment that generate renewable energy at 100% depreciation rate is that the machinery and equipment are operated or used during a minimum of five years immediately following the year in which the deduction is claimed.

Please consider that there are certain expenses that are performed when a wind power or solar project are constructed such as civil works that may not be considered as part of the equipment that generate renewable energy. Therefore, it is recommended to analyze all the expenses incurred in the construction of a renewable asset in order to define which concepts can be deducted via depreciation and which others as part of the expenses incurred in the year.

Net Operates Losses

In Mexico, the treatment of tax losses allows businesses to offset these losses against future taxable profits, providing a mechanism to reduce tax liabilities.

Tax losses can be carried forward for up to ten years, enabling companies to deduct them from future taxable income. However, they cannot be carried back to previous years.

Please consider that Tax losses shall be updated every year by the inflation triggered in México.

Considering the limitation of carry forward tax losses for 10 years companies that construct or acquire assets for distribution of renewable energy normally do not deduct the investment at 100% depreciation rate because the tax loss triggered in the first year will not be offset in the following 10 years.

Limitation in deduction of interest

I. Thin capitalization rules

As parti of the tax reform in 2014Mexico, thin capitalization rules were included in the Income Tax Law.

Such rules are designed to prevent companies from excessively funding their operations through debt rather than equity, which can lead to tax base erosion. These rules limit the deduction of interest generated for loans received by related parties residing abroad. The interests can be deducted for tax purposes when the debt-to-equity ratio exceeds 3:1 for related-party debt.

An important exception to these rules applies to certain industries, including renewable energy. In the beginning the exclusion rule stated that companies that contribute in the generation of electricity the thin cap rules will not be applied; hence, companies that receive loans for intercompany residing abroad for the construction of renewable assets that are used to distributed energy should not apply thin cap rules.

However, such exception was modified in 2020, to allow the no application of the thin cap rules to the entities that have the permits to distribute energy; hence, companies that the core business is the construction of renewable assets such as wind farms or solar farms cannot apply the exclusion rule.

II. Adjusted taxable income

In 2020 was introduced in the Income tax Law the limitation on the deduction of interest expenses; such deduction is related to the adjusted taxable income (ATI). Under these rules, net interest expense deductions (interest deduction les interest income) are capped at 30% of the taxpayer's ATI. This measure aims to prevent excessive interest deductions that could erode the tax base.

The ATI is the result of reduced from the tax profit interest expenses, tax depreciation and tax amortization.

Any disallowed interest can be carried forward for up to ten years, allowing businesses to potentially utilize these deductions in future periods.

Taxpayers are entitled to calculate the no deduction of interests based in ATI and thin cap rules and apply the disallowance that is bigger.

Certain exemptions apply to AIT rules, in the specific case of renewable entities the AIT rules will not applied when the loan receives is used for the construction of immovable property and specific public infrastructure projects.

Taxation on dividends

In general terms any dividend paid is subject to Income tax; taxpayers that distribute dividends shall multiply the dividend paid times the factor 1.4286 and the result shall be multiplied times the Income Tax rate (30%).

However, dividends that comes from the CUFIN ("Cuenta de Utilidad FIscal Neta" per the acronym in Spanish) shall not be subject to Income Tax.

The CUFIN is a tax account that tracks a company's after-tax profits that already pay Income Tax, which can be distributed to shareholders as dividends without incurring additional corporate tax. It serves as a mechanism to avoid double taxation on distributed profits.

The CUFIN in general terms shall be added by the net tax profits of the year (UFIN), dividends received from Mexican entities and shall be reduced by the dividends paid.

Please consider that the UFIN is determined as follows:

	Tax profit
(-)	Tax losses pending to be offset
(=)	Tax result
(-)	Nondeductible expenses
(-)	Income Tax of the year
(=)	UFIN of the year

In the specific case of companies that invest in assets to distribute renewable energy; if such companies opt to deduct the 100% of the machinery in a single year in most of the cases a tax loss shall be triggered and such tax loss will be offset in the following ten years; therefore, there will not be a CUFIN for at least 10 years and hence the renewable companies will not be able to distribute dividends free of tax.

For this reason as part of the tax reform of 2014 it was introduce article 77-A in the Income Tax Law; such article state that companies that invest in assets that generate renewable energy will calculate a CUFIN for investments in renewable energy (Green CUFIN).

Such Green CUFIN allows taxpayers dividends free of income tax even when there is not a CUFIN balance as long as accounting profits are generated.

In general terms, taxpayers shall calculate the tax profits but deducting assets for renewable energy with a tax depreciation rate of 5% instead to use the 100% tax depreciation rate.

Some of the main point that need to be considered are the following:

a. Once the taxpayers have a Green CUFIN balance can distribute dividends free of tax as long as accounting profits exists.

b. Once taxpayers trigger normal CUFIN balance the Green CUFIN balance cannot be used.

c. Dividends paid from GREEN CUFIN shall be reduced in the normal CUFIN.

Therefore, it is advisable for companies in the renewable energy sector that calculate both CUFIN in order to determine which is the best moment to distribute dividends free of Income Tax.

Value added tax

General

In general terms all entities and individuals that perform the following activities in Mexican territory are subject to VAT at 16% rate:

a. Transfer of goods

b. Rendering of independent services

c. Temporary use or enjoyment of goods

d. Importation of goods or services.

The VAT is calculated on a cash flow basis; it means that taxpayers shall reduce input VAT from output VAT as long as such VAT is effectively paid or collected.

In case that input VAT is higher than output VAT a favourable VAT balances will be triggered. Such favourable VAT balance can be request in refund or credit against future VAT pending to be paid.

In the case of renewable energy companies there is not any tax incentive stated In the VAT Law.

Other taxes and incentives

Local Taxes

State-level tax incentives for companies investing in renewable energy can vary significantly depending on the region, as each state in Mexico can establish its own programs and benefits. However, some common incentives that may be available include:

Payroll Tax Exemptions or Reductions: Some states offer exemptions or reductions in payroll taxes for companies investing in renewable energy projects.

Property Tax Deductions: Companies may receive deductions on property taxes if they install renewable energy systems on their properties.

Subsidies and Preferential Financing: Some states provide direct subsidies or financing at preferential rates for renewable energy projects.

Tax Credits: Credits that can be applied against state taxes for investment in renewable energy infrastructure.

It is important for companies interested in these incentives to consult with the fiscal and economic development authorities of their specific state to obtain detailed and updated information about the available programs, as these can change over time and may be subject to specific conditions.

North and South border incentives

In Mexico, the northern and southern border regions have implemented tax incentives to promote economic development and investment. These incentives aim to attract businesses and stimulate growth in these strategic areas. Here is a summary of some common tax incentives in these regions:

a. VAT Reduction: In the northern border region, the VAT has been reduced from 16% to 8% to stimulate consumption and investment.

b. Income Tax Reduction: Companies in this region can benefit from a reduction in the Income Tax (ISR) rate from 30% to 20%.

There are certain requirements to be met; however, the main ones are that the companies need to be located in the boarders and perform the main business activity in such region.

Netherlands

Corporate income tax

General

Companies that exploit a windfarm in the Netherlands will generally be subject to Dutch corporate income tax for the profit realized with the windfarm. This applies to Dutch resident companies (Dutch taxpayers) and to non-Dutch resident companies (foreign taxpayers).

For Dutch corporate income tax purposes, the windfarm is considered to be in the Netherlands, if the windfarm is located onshore or offshore within the Dutch exclusive economic zone (within 200 nautical miles of the Dutch shore).

Corporate tax rate

In 2024 the Dutch corporate income tax rate amounts to 25.8%. A reduced 19% tax rate applies to the first EUR 200,000 of taxable profits.

Taxable profit

The taxable profit realized with the windfarm is calculated with the ordinary Dutch corporate income tax rules.

These ordinary rules include depreciation regulations. In general, business assets with a limited useful life must be capitalized on the tax balance sheet and be depreciated over their expected useful life. The most common system is the straight-line system.[21] The general rule is that depreciation covers the useful life of the asset. In practise we see that the depreciation period of windmills for tax purposes is in line with the economic useful life of a windmill which is currently estimated at at least 25 years. As the technical lifetime of windmills, specifically at sea, is increasing and permits may be granted for longer periods, the depreciation term is subject to more scrutiny by the Dutch tax authorities so the depreciation term could increase in time.

For buildings, a specific minimum value applies for depreciation purposes. This minimum value is based on the value of the property as determined by the local municipality (the 'WOZ' value). Windmills are however not considered as buildings for Dutch tax depreciation purposes and, therefore, this minimum value should not apply.

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A tax deductible decommissioning provision may be set up to cover future decommissioning costs of the windmills. The method for determining the yearly contribution for tax purposes could deviate from the commercial calculation method.

21 Based on our experience, the Dutch tax authorities do not accept the declining balance system for windmills.

Grants and allowances

Grant for sustainable energy production and climate transition (SDE++, Subsidieregeling Duurzame Energie)

The SDE++ grant potentially offers financial aid for the production of renewable energy or for applying CO2-reducing techniques. Hydrogen by electrolysis which can be part of an offshore wind farm project is included as qualifying technique for the SDE++ grant. This subsidy is intended for companies and organisations (non-profit and otherwise) in sectors such as industry, mobility, electricity, agriculture and the built environment. The SDE++ is expected to be open from 7 October 2025 till 6 November 2025. The amount of funding depends on various factors, including the exact technical nature and scale of the project and the energy produced.

Allowances

Specific allowances are included in the Dutch tax law. These allowances are in fact an additional deduction that can be applied in calculating the taxable profit. Such allowances may be available for certain energy saving or environmental friendly assets. The qualifying assets are published by the Dutch government, this list is updated annually. Windmills at sea are currently not included on the list. However, certain related environmental assets (for example safeguarding sea life) could be qualifying. If windfarms are combined with hydrogen plants, the additional tax allowances may be available for that combined part of the business. Please note that in certain situations there can be no overlap with the SDE++ grant. Specific conditions and requirements apply. Review based on the facts at hand and applicable yearly list is required. If applicable, additional deductions up to 45.5% of the qualifying asset may apply. In certain scenarios, free depreciation of 75% of the asset value may be applied as well in addition to the allowance for the qualifying assets.

Municipal real estate tax

Real estate taxes (onroerendezaak-belastingen) are levied by municipalities. Part of the tax is payable by the owner of the property and part by the user. The tax is based on the value of the property as established by the local municipality, known as the "WOZ" value. The rate varies according to the municipality in which the real estate is located.

Depending on the location of the windmill, windmills are subject to real estate tax. If windmills on sea are located outside the 12 mile zone of the Netherlands, the property should not be subject to real estate tax.

Value Added Tax

Taxable Person

According to Dutch VAT Law, a taxable person for VAT purposes is any person who independently carries out an economic activity, regardless of the purpose or the result of that activity. Generally speaking, a company developing, owning and/or exploiting a windfarm should qualify as a taxable person for VAT purposes.

VAT treatment of the activities

The economic activities resulting from owning and/or operating a windfarm vary dependent on the exact business model (e.g. leasing the wind farm to third parties, supplying energy to re-sellers or supplying energy to end users), however such activities are typically VAT taxed at the standard VAT rate of currently 21%. In case an offshore windfarm is located entirely outside of the 12-mile zone, the supplies may in theory in some cases be deemed out of scope of Dutch VAT or 0% VAT rated, however we are aware that the Dutch tax authorities in practice take the position that supplies outside of the 12-mile zone are also subject to 21% VAT.

The supply of electricity to a recipient who qualifies as a reseller (e.g. electricity trader) for the purposes of this provision is VAT taxable where the recipient is established or has its permanent establishment to which the electricity is supplied. In this context, a reseller is considered to be the entrepreneur whose main activity in relation to the acquisition of energy is the subsequent resale of this energy and whose own consumption of those products is negligible. If the place of supply is in the Netherlands, the supplier of the energy must in principle charge and remit the VAT amount due in its VAT return. However, if the supplier is not established in the Netherlands, the VAT amount will be reverse charged to the recipient if the recipient is in the possession of a Dutch VAT identification number.

Entitlement to recover input VAT

A taxable person for VAT purposes is entitled to recover the input VAT incurred on costs insofar as the acquired goods and/or services are used for, amongst others, VAT taxed activities. This includes input VAT on costs incurred during the development phase of a windfarm, insofar as the taxable person can substantiate that it has the intention to carry out such activities in the future. Given the nature of the typical activities of a wind farm company it is as a starting point expected that they should be able to recover the input VAT incurred on costs related to the windfarm.

Shareholding and/or financing activities may have an adverse impact on the right to recover input VAT. It is recommended to seek out additional advice prior to engaging in such activities.

Offshore

There are various additional points of attention in relation to VAT in relation to offshore windfarms.

Offshore windfarms may be (partially) located outside of the 12 nautical miles zone. For Dutch VAT purposes, locations outside of the 12 nautical miles zone are not considered to be within the Netherlands or the EU. As such, it is relevant to determine whether a supply (for both in and output) should be deemed to take place within the Netherlands or the EU. If a supply is deemed to take place outside of the Netherlands, it is not subject to Dutch VAT.

The place of supply of a general business-to-business service is deemed to be the place where the recipient of the service is established. However, various exceptions may apply to services rendered in respect of windfarms, such as the exception for services relating to real estate.

The supplies of goods to and from offshore windfarms may constitute an import or export

of goods (to the extent that the windfarm is located outside of the 12 nautical mile zone).

A specific exception applies for supplies whereby the goods are installed in relation to the supply, e.g. supply and install of a windmill. Such supplies are taxable for VAT purposes at the place where the goods are installed.

We note that the setup of the VAT compliance for a windfarm that is (partially) outside of the 12 nautical miles zone is generally viewed as complex.

Development phase

In the Netherlands a reverse-charge mechanism has been implemented to combat abuse and fraud in the construction sector ('recipients liability'). Under these rules, services of a tangible nature rendered by subcontractors to contractors are subject to the reverse-charge mechanism. Under the reverse charge mechanism, the recipient of the service is liable to remit the VAT due in relation to the services to the Dutch tax authorities.

The term contractor within the meaning of these measures is broader than merely construction companies in the general sense of the word. The term contractor may therefore also include taxable persons that are developing and building a windfarm. Whether a specific company in fact qualifies as a contractor and thus whether the reverse-charge mechanism in fact applies is highly factual and subject to interpretation. Case-law and Dutch Policy Decrees provide guidance but are not conclusive. As such, this could be a topic of discussion with the Dutch tax authorities.

Other

Wage tax

Aforementioned recipients' liability also extends to wage taxes.

Energy tax

The supply of electricity within the Netherlands may lead to being a taxable person for energy taxes, in particular if the electricity is supplied to end users.

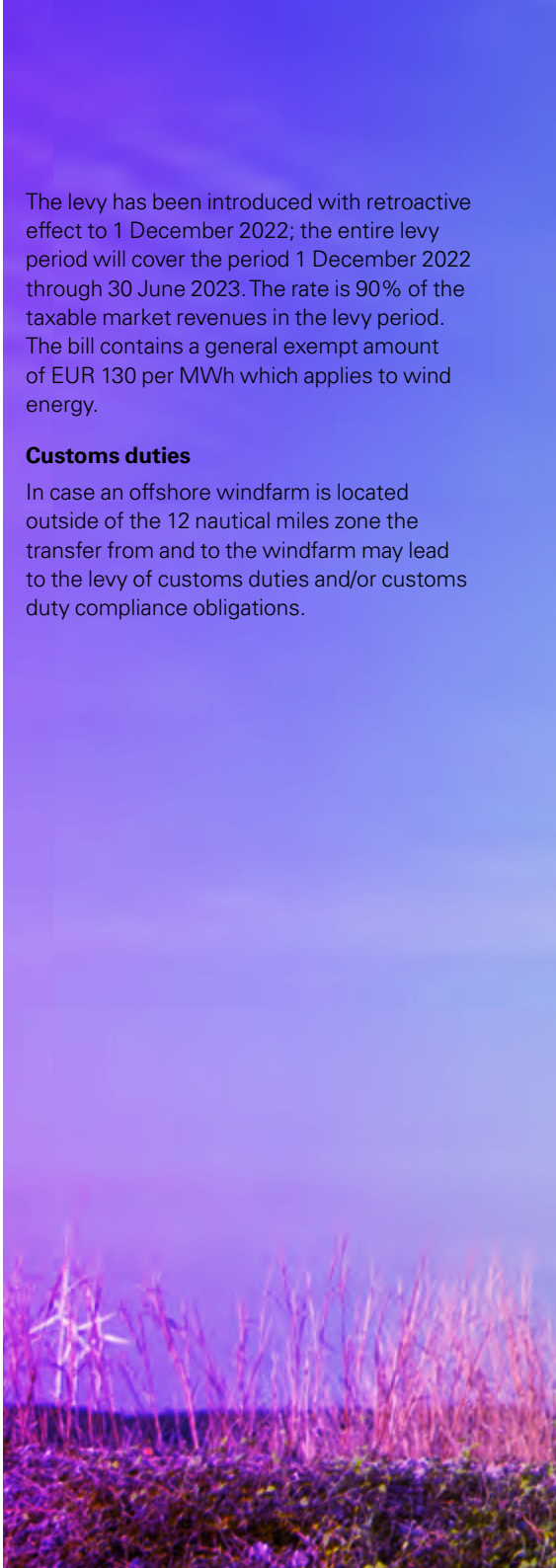
Inframarginal electricity levy

In October 2022 the European Commission decided to impose, by means of a Regulation, a mandatory cap on the market revenues of certain electricity producers. The Netherlands has introduced this temporary levy amongst others on the market revenues from inframarginal electricity production. This concerns electricity generated in the Netherlands or in the Dutch territorial waters of the North Sea, which has been fed into the electricity grid or into a direct line of which the power plant has an installed capacity of 1 megawatt (MW) or more. Only electricity generated with inframarginal energy sources such as wind energy as well as coal, fall under the levy.

The levy has been introduced with retroactive effect to 1 December 2022; the entire levy period will cover the period 1 December 2022 through 30 June 2023. The rate is 90% of the taxable market revenues in the levy period. The bill contains a general exempt amount of EUR 130 per MWh which applies to wind energy.

Customs duties

In case an offshore windfarm is located outside of the 12 nautical miles zone the transfer from and to the windfarm may lead to the levy of customs duties and/or customs duty compliance obligations.



New Zealand

Corporate income tax

Company structures are most commonly used in New Zealand to hold wind farm assets. However, limited liability partnerships are also a viable option.

Taxation of a company structure

All companies in New Zealand are subject to company income tax. The company tax rate is 28%. The taxable income position of the company will include operating income from the wind farm, less allowable tax deductions such as depreciation of plant & equipment. The tax liability can also be offset through utilisation of tax losses.

Taxation of a limited liability partnership

A limited liability partnership ("LLP") is a similar to a company in that an LLP is a separate legal entity. LLPs must have at least one limited partner and one general partner.

The limited partner is a passive investor and is only liable for debts to the extent of their capital contribution, while general partners are jointly liable along with other general partners for the debts and liabilities of the partnership.

For tax purposes a LLP is treated as a transparent entity (unless it is publicly listed). As a result, income and expenses flow through the limited partnership to the partners. Therefore, the limited partnership itself will not be taxed; instead, partners will be taxed individually.

The taxable income is calculated in the same manner as for a company.

Exit implications

New Zealand does not have a broad capital gains tax regime. However capital gains are taxed in certain situations.

The tax implications on exit will depend on whether the shares of the entity are held on revenue or capital account. Generally, gains made from a sale of shares that are held on revenue account are taxable, and any loss arising from a sale of shares held on revenue account are deductible. Conversely, gains made from a sale of shares that are held on capital account are not taxable and any loss made from a sale of shares held on capital account are not deductible.

Non-residential building depreciation

Depreciation on commercial and industrial buildings has been removed from the 2024-25 income year. Consequentially, buildings that house control centres (for example) will no longer be able to be depreciated for tax purposes.

This change affects all commercial buildings with an estimated useful life of 50 years or

more. Where the buildings estimated useful life is less than 50 years, the depreciation rate can be set by the Commissioner of Inland Revenue through provisional depreciation rates. To obtain these provisional depreciation rates, approval must be sought from the Commissioner of Inland revenue.

Research and Development Tax Incentive

The RDTI is a mechanism for encouraging innovation and growth in New Zealand businesses. Businesses can claim a 15% tax credit in respect of expenditure on research and development incurred in New Zealand. This credit can be used to offset against income tax liabilities.

There is also the possibility of the tax credit to be cashed out if a business is not in a tax paying position.

Expenditure and Depreciation

On 31 March 2023, the New Zealand Government enacted legislation amendments to the Income Tax Act 2007 which affects the way in which distribution networks are depreciated.

Businesses that hold wind power assets as part of an electricity distribution network are no longer able to take a holistic network approach for calculating depreciation in relation to network assets. Instead, operators of utilities networks will need to apply a "component approach" to expenditure incurred on their distribution assets (meaning expenditure on such assets will be capital in nature). In addition, utilities distribution assets are now a defined term which helps taxpayers to identify the individual assets within a distribution network.

These amendments are intended for distribution network taxpayers who have previously filed a return using the holistic network approach for calculating depreciation.

Tax loss carry-forward

Prima facie, shareholder continuity of 49% must be maintained for a company to carry forward and utilise tax losses in future tax years. There is no expiration of tax losses to the extent that shareholder continuity of 49% is maintained.

The business continuity test (the BCT) supplements the shareholder continuity test for the carry forward of tax losses. The BCT allows tax losses to be carried forward if shareholder continuity is not maintained (at the minimum of 49%) to the extent that the same or similar business is carried on for five years following the loss of shareholder continuity. This test only applies to losses from the 2013-14 income year and onwards subject to the criteria above being satisfied.

Dividend regime

New Zealand resident shareholders

Imputation credits are generated by payments of income tax (including resident withholding tax deducted from income derived) and can be attached to dividends to relieve double taxation of dividend income for New Zealand resident shareholders. Imputation credits are effectively a transfer of corporate tax paid to shareholders to offset against income tax on the dividends.

Shareholder continuity of 66% must be maintained for a company to carry forward imputation credits to future years. There is no expiration of imputation credits to the

extent that shareholder continuity of 66% is maintained. Note the BCT does not apply to enable the carry forward of imputation credits.

Non-resident shareholders

Dividends paid to non-resident shareholders will have non-resident withholding tax ("NRWT") deducted at the rate applicable to the country of the shareholders' residence. The rate at which NRWT is deducted is determined based on the double tax agreement between New Zealand and the relevant country.

The requirement to deduct NRWT means that non-resident shareholders are disadvantaged as they receive less cash in hand from a dividend than a New Zealand resident shareholder would. Accordingly, the New Zealand government allows resident companies to pay a 'supplementary dividend' to its non-resident shareholders, which has the effect of compensating the non-resident shareholders for the NRWT suffered on an imputed dividend.

The company receives a tax credit for the supplementary dividend paid, referred to as the foreign income tax credit ("FITC"). Ultimately, the payment of a supplementary dividend means the non-resident shareholders receive the same amount of cash in hand as New Zealand resident shareholders would.

Goods and Services Tax

GST registration

Goods and Services Tax ("GST") is a tax on the supply of most goods and services in New Zealand and also applies to imported goods and certain imported services. The standard rate of 15% is applied to all goods

and services to which GST applies unless the supply qualifies for a zero rate of GST.

In order to recover input tax credits on GST costs incurred, the recipient entity must be registered and entitled to be registered for GST.

Registration is only available if an entity carries on "taxable activity". This is an activity that is carried on continuously or regularly and involves the making of supplies for the payment of money or other consideration, regardless of whether the activity is for the purpose of making a profit. An entity that carries on a taxable activity is required to register for GST if the value of its supplies in either the previous 12 months or the following 12 months is NZ$60,000 or more. GST registration is optional if an entity makes taxable supplies at or below that threshold.

The effect of GST registration is that the GST registered entity will be required to remit GST on its taxable supplies in its GST return. GST returns can be filed monthly, two-monthly or six-monthly subject to meeting certain sales level thresholds.

Non-residents are also required to be registered for GST if:

- they are supplying goods that are in New Zealand; or
- they supply of services that are physically performed in New Zealand by a person who is in New Zealand at the time the services are performed.

However, if the non-resident supplies such goods or services to a GST registered entity then they are not required to register for GST (although it is common for non-resident entities to register for GST in order to claim input tax credits on GST costs incurred).

State taxes

There is no state tax in New Zealand

Special tax regime

There is no special tax regime for wind power companies in New Zealand.

Norway

Corporate income tax

Renewable energy companies in Norway are subject to corporate income tax, currently 22%. Somewhat simplified, the tax base is in principle determined in accordance with the ordinary tax principles that apply for other companies as well. However, some special provisions apply.

Depreciations of wind farms

Initially, fixed assets in wind parks are allocated to the "ordinary" depreciation groups, which means that an allocation of investment costs should be made between:

- Gear, rotor, generator and control equipment – depreciation group d (20% annual depreciation)
- Towers, constructions and buildings – depreciation group h (4% annual depreciation)
- Transformer and cables for connection to the power supply – depreciation group g (5% annual depreciation)
- Non-depreciable assets; land and property, road etc.

A special provision in the Tax Act section 14-51 states that fixed assets in wind power plants are depreciated on a straight-line basis with the same amount over a five-year period. These favorable depreciation rules applied to fixed assets acquired from 19 June 2015 up to and including the income year 2021, provided the work on the project did not commence before 19 June 2015. From the end of 2021, the favorable depreciation rules are therefore being phased out. Wind power investments made post 2021 are subject to the ordinary depreciation rules.

Roads are, as a main rule, not depreciable. However, according to tax practice, temporary construction roads in connection with a time-limited concession license subject to reversion (Norwegian: hjemfall) may be depreciable. In the tax office decision of 2013-097KV published in Utv. 2018 p. 850, the Central Tax Office for Large Enterprises (Norwegian: SFS) reached the conclusion that road investment was not depreciable in a specific case where there was a time-limited concession without reversion. The decision has been appealed.

Subsidies in connection with development of wind power facilities are generally taxable, and public grants, for example from Enova, are taxed through reduction of cost price/basis for depreciations.

Depreciations of hydropower plants

For hydropower plants, capitalized costs are generally depreciated at a linear basis over 67 years (dams, tunnels, pipe racks, power stations) or over 40 years (technical equipment, generators, pipes, etc.). Buildings and installations are normally depreciated based on the declining balance method at 4% (asset group H) and facilities for the transmission and distribution of electric power and electrical equipment in power companies should be depreciated on a declining balance at 5% (asset group G).

Onshore wind power

Resource rent tax

Effective from 1 January 2024, the Norwegian government implemented a resource rent tax on onshore wind power production. The introduction of the tax has faced significant opposition within the industry and the tax has been subject to several modifications since it was first proposed back in September 2022.

The resource rent tax is levied on onshore wind farms subject to licensing under the Norwegian Energy Act. i.e., wind farms with more than 5 turbines or a total installed capacity of 1 megawatt (MW) or more. The tax is calculated per wind farm, and the first resource rent tax reporting is due end of May 2025 part of the submission of the corporate tax return for FY24.

The resource rent tax on onshore wind power is currently levied at a nominal rate of 32.1% with an effective rate of 25% over the expected duration of the wind farm. The difference in rate is due to an allowed deduction for corporate income tax related to the resource rent taxable activity, i.e. the wind power production, when calculating the resource rent income.

The resource rent tax is designed as a cash-flow tax based on the model of the resource rent tax on hydropower. The tax base is as a main rule calculated based on actual power generated multiplied by spot market prices, less deductions for e.g. relevant production costs, investment costs and property tax. However, using the actual sales price instead of the spot market price in existing fixed price power agreements entered before 28 September 2022 is accepted. The same applies for certain future power agreements for new projects established between 2024 and 2030 and standard fixed price agreements.

Through the cash-flow tax, investments are deducted directly in the investment year. Payments to landowners, municipalities (except property tax) etc., such as land lease, are normally non-deductible for resource rent tax purposes. The same applies for sales costs, transfer costs or financial costs. A deduction for corporate income tax related to the resource rent taxable activity should be made, which is calculated based on the same income and costs as included in the resource rent tax basis.

Negative calculated resource rent income can be carried forward with a risk-free interest and be deducted from positive calculated resource rent income in subsequent years. This element differs from taxation of hydropower, where the resource rent tax value of negative resource rent income is disbursed. If production is discontinued, the government will disburse the tax value of any outstanding negative resource rent income. The risk-free interest rate will be announced by the Ministry of Finance annually. For FY24, the applicable rate has not yet been published but is expected to be approximately 3.3%.

In 2022, the Government introduced a production tax on onshore wind power production. The tax is designed as an ordinary excise duty levied on both new and existing wind farms subject to licensing pursuant to the Energy Act, meaning wind farms with more than five turbines or a total installed capacity of at least 1 MW. For 2025, the production tax has been increased to NOK 0.0237 per kWh.

Property tax

The property tax base should equal fair market value of the wind farm with all installations. Estimation of the fair market value is carried out by an independent appraiser. When carrying out the assessment, the owners own dispositions should not be taken into account. It is the property's objective value that constitutes the property tax base. This is thoroughly laid out in a ruling from the Supreme Court (Rt. 2011 page 51 – Sydvaranger) where the court states that fair market value is not reflected by an actual consideration, even when such consideration is paid. The objective value should be based on a calculation of the assets technical values using relevant templates. From 1 January 2019 it is clearly stated in the Property Tax Act that the property tax base for wind power facilities should be based on technical values.

There is a lot of case law related to disputes regarding property tax on industrial facilities. Currently we are aware there are ongoing disputes regarding relevant costs when establishing historic cost (for example interests, and applicable FX-rates), and there are also disputes related to calculation of the various reduction factors. Especially for wind farms, where the technological development is implemented at a very high speed, it could be argued that the deduction for decrease in relevance (Norwegian: utidsmessighet) should be considerable, as old turbines might be considered outdated, which obviously will influence the fair market value. The current disputes are subject to administrative appeals/ complaints, and we expect to see some of the cases in court.

The property tax base is subject to re-evaluation carried out by appointed appraisers every ten years. However, for a wind farm under construction where the property undergoes major changes within a few years, the municipality will often carry out a re-evaluation annually until the plant is finished and the ten-year period begins.

High-price contribution (windfall tax)

A high-price contribution (windfall tax) applied to wind farms subject to licensing pursuant to the Energy Act Regulations from 1 January 2023 to 30 September 2023. The windfall tax was levied on achieved revenue exceeding NOK 0.7/kWh and the applicable tax rate was 23 %.

Hydropower

Resource rent tax

Hydropower plants with generators rated at 10 MW or more are subject to resource rent tax. The tax is calculated per hydropower plant. The effective resource rent tax rate is currently at 45%, resulting in a total marginal tax of 67% for large hydropower plants.

The resource rent tax is determined based on the power plant's annual gross revenues, typically calculated as the sum of spot market prices per hour multiplied by the power

plant's actual production. Exceptions from spot market prices are made for power due to concession conditions, power produced in relation to long term purchase price agreements and standardized fixed price agreements.

In the tax basis, deductions are made for production expenses, investment costs, licence fees, property tax, annual taxable depreciations of assets and resource rent related corporate income tax.

Negative calculated resource rent income is disbursed or can be set of against positive resource rent income from other power plants owned by the same taxpayer/within the same taxable group provided specific conditions are met.

Natural resource tax

To ensure that a fair share of the value created from the utilization of hydropower will benefit the local municipalities/counties, parts of the resource rent tax is redistributed to the local government sector through a natural resource tax at a current rate of NOK 0.0134 per kWh.

The natural resource tax is set of NOK by NOK in the assessed resource rent tax payable. If the natural resource tax / production tax exceeds assessed resource rent tax payable for the hydropower plant, the excess amount may be paid out.

Municipal real estate tax / property tax

Property tax can be levied on real estate, a term which as a starting point includes all forms of residential and commercial buildings/ properties and the related grounds, in addition to power plants and power grids. The property

tax is a local tax, and each municipality is free to decide whether to levy property tax and on what kind of real estate the tax should be levied on. Most municipalities in Norway levy property tax on real estate.

Property tax is levied at a rate that varies between 0.2 to 0.7% of the taxable fiscal value of the property. The property tax is annual and deductible from the corporate income tax base as an operating cost.

Owners of Norwegian hydropower plants are normally subject to local property tax. The property tax applies to the actual power plant and the grounds/ building plot. For property tax purposes, the term "power plant" includes the power station with related regulation installations or parts of such installations, such as dams, tunnels, pipe racks, and production lines, but excludes transmission lines and distribution facilities. Generators connected to turbines that have the same intake and outlet in a watercourse, meaning that the same waterfall is utilized, are considered parts of the same hydropower plant.

For hydropower plants with generators with an installed capacity of 10 000 kVA (Approx, 10 MW) or more, the starting point for the valuation of the power plant is a net present value calculation of the net income over an indefinite period. The net present value calculation is based on the estimated market value per 1 January in the year before the tax year.

For hydropower plants with a total installed capacity of below 10 000 kVA(Approx. 10 MW), the property tax is calculated based on the tax value, i.e. historic investments less tax depreciations, per 1 January in the tax year.

For plants that are not yet put into operation, the property tax is calculated based on the value of the investments per 1 January in the tax year.

The property tax is administrated by the local property tax office in each municipality. In order for the taxpayer to know the size of the tax as early as possible, property tax should, to the extent possible, be levied before 1 March in the tax year.

The property tax is paid in several instalments, where the number of instalments is determined by each municipality. At least two instalments are required. If the payment is late, penalty interest will arise from the due date of the instalment.

The property tax base can be appealed within six weeks of the assessment. The taxpayer may appeal the property tax base at any time during the 10-year period to which this applies, but only to the extent that the basis has not been appealed earlier in the period. The deadline for litigation is six months.

Licence fee

Resource rent tax liable hydropower plants must pay an annual licence fee to the government and the host municipalities, whereby approximately 75% of the fee goes to the municipalities and 15% to the government. The fee is determined independently of the actual production capacity of the power plant and is calculated based on rate of flow and head of water.

Concession power

Furthermore, owners of large hydropower plants are obligated to supply up to 10 percent

of its power base to the municipality affected by the power plant. The purpose of this concession power arrangement is to ensure that the host municipalities receive electricity for general supply at a reasonable price.

Offshore wind power

Currently no special tax regime

Norway does not have operative offshore wind farms connected to the power grid, nor any offshore wind farms currently under construction. However, the Norwegian Government has ambitions to allocate areas suitable for 30 GW offshore wind by 2040. In relation to this, NVE has identified two offshore areas as especially suitable for facilitating wind farms, namely Utsira Nord and Sørlige Nordsjø II. The first project areas for offshore wind at Utsira Nord and Sørlige Nordsjø II were announced in 2023, and the first phase of the survey in Sørlige Nordsjø II was completed in 2023.

Ordinary corporate taxation rules are expected to apply for offshore wind power production.

To prepare for future establishment of offshore wind farms in Norway, an amendment has been made to the Norwegian Tonnage tax scheme. As of 2017, the tonnage tax scheme has been extended to include wind turbine vessels that operate in the form of construction, repair, maintenance and dismantling of offshore wind turbines at sea.

Property tax

Based on the current property tax legislation, only properties in the municipality may be subject to property tax. The municipality does not comprise the sea except for the area between the coast and the sea boundary.

Because offshore wind farms will be built further out in the sea past the sea boundary, no property tax may be levied on the actual offshore wind farm under current legislations.

The parts of the offshore wind farm that connects to installations on land, such as power cables and transformers, may however be subject to property tax. There may be a clarification in the legislation once the first Norwegian offshore wind farms are put in commission.

Solar power

Currently no special tax regime

As apposed to hydropower and onshore wind power, there is currently no special tax regime in place for solar power in Norway. Revenue related to corporate solar power production is subject to corporate income tax at 22% and property tax.

Property tax

Solar power installations should be regarded as a form of commercial property subject to property tax.

However, as machinery and production equipment not related to the production of hydropower or wind power no longer are subject to property tax, the parts of the solar power installations deemed such production equipment /machinery should not be subject to property tax. Consequently, the property tax base for solar cell installations will be limited to the grounds on which the solar cells are located, and possible parts of the solar power facilities not deemed production equipment /machinery.

As for onshore wind power, the basis for the property tax on solar power installations should as a starting point equal the fair market value of the property, based on objective criteria. For commercial properties, if it is not possible to estimate the fair market value, the tax base shall equal the technical value.

The valuation should be carried out by an independent appraiser after an on-site inspection, similar as for onshore wind power. The property tax base is subject to re-evaluations carried out by appointed appraisers every ten years under the same procedures as for onshore wind power.

Geothermal power

Currently no special tax regime

Geothermal power is subject to corporate income tax and property tax. There is currently no special tax regime in place for geothermal power.

Property tax

Similar as for solar power installations, geothermal power plants should be regarded as commercial property subject to property tax.

Furthermore, property tax should not be levied on production equipment /machinery related to the production of geothermal power, and the property tax base should therefore be limited to the grounds and the parts of the power plant not deemed production equipment /machinery.

The basis for the property tax should equal the fair market value of the property, based on objective criteria, or the technical value if the fair market value is not possible to estimate.

As for wind power and solar power, the valuation should be carried out by an independent appraiser after an on-site inspection and be subject to re-evaluations every ten years.

Pakistan

Income tax

Profits and gains from power generation, including wind power, are exempt from tax in Pakistan, for projects that have already been installed. The Government is however in process of phasing out this exemption and it will not be available to those projects who receive a 'Letter of Support' [LoS] after 30th June 2023 (including those who have received LoI before 30th June 2021 but fail to obtain LoS by 30th June 2023). Such projects will be required to pay corporate tax on net income basis at the rate of 29%, or 17% of accounting profit as 'alternate corporate tax' [ACT], whichever is higher. The ACT, insofar it exceeds corporate tax, can be carried forward for adjustment against corporate tax liability for up to next ten (10) years.

In determination of net income, generally all expenses are deductible insofar they are incurred for the purposes of business, excluding those paid in cash (except where allowed) or paid without withholding tax (in absence of a tax exemption) or 'excess interest expense' under the 'thin capitalization' rule. In addition, a first-year allowance at 90% of the cost of depreciable assets is admissible in the first year of operations.

The present exemption on profits and gains of power generation does not extend to any ancillary income that the project may earn, such as interest on bank accounts. However, under a separate provision in the tax law, income from sale of 'carbon credits' is tax exempt.

In case of expenses exceeding revenue, that is a tax loss, such loss can be carried forward for up to six (06) tax years next, though deduction representing tax depreciation and first year allowance can be carried forward till it is fully off-set against business income for next years. However, it can only be adjusted against fifty percent (50%) of such income in a year.

With specific reference to deductibility of 'interest expense' on foreign loans from associated enterprises under the thin capitalization rules, it is to be noted that these rules are invoked insofar the expense relates to loan exceeding foreign debt to foreign equity by 3:1 and is non-taxable in Pakistan or taxable at a rate lower than corporate tax rate on assessment.

The local tax law requires the transactions between related parties to be on arm's length basis at fair market price that would have been agreed to between unrelated parties. Pakistan has adopted BEPS Action 13 regarding Transfer Pricing and the tax commissioner may demand 'local file' and 'master file' with respect to transactions with associates. A

'Country by Country' report is also required to be filed by enterprises who are part of a Group where the ultimate parent company's country of residence has not signed the OECD Multilateral Instrument for Exchange of Information, such as USA.

Dividends:

As a general rule, income from dividend is subject to tax at 15% except in case of power generation companies where dvidend tax is a 'pass-thorugh' item in the electricty tarriff under the terms of the Power Purchase Agreement, in which case the tax rate is 7.5%. In the new agreements being signed by the Government, the tax is no more a pass-through and hence the standard rate of 15% applies except where a tax treaty provides for a lower rate. It is also to be noted that where dividend is paid by a company which has paid no tax either due to tax exemption or carry forward of business losses, the rate of dividend tax enhances to 25%. It is however not clarified whether the enhanced rate applies to existing power projects, whose exemption is limited to profits and gains from power generation and sale of carbon credits, and does not cover any other income.

Capital gains:

The domestic tax law distinguishes between listed and non-listed shares and separate regimes apply for the two. As a general rule, capital gain arising on disposal of shares in a company incorporated in Pakistan (considered tax resident) is Pakistan-sourced income and hence taxable in Pakistan; unless a tax treaty provides otherwise. Gain on disposal of shares of a non-resident company (such as that incorporated outside Pakistan) is also considered Pakistan-sourced in case such

shares derive their value wholly or principally from assets located in Pakistan. However, in that case too, provisions of a tax treaty override that of the local law.

Capital gain arising on disposal of shares that are not listed in Pakistan is taxable at the corporate rate of 29%.

In case the shares are listed on a stock exchange in Pakistan, the rate of tax varies from 2.5% to 15% according to the holding period with no taxation in case of holding period exceeding six (06) years.

Indirect Taxation

Sales tax (VAT) on power generation:

Supply of electricity attracts 17% sales tax in VAT mode, though certain items in the tariff such as bonus energy, and late payment charges are not subject to sales tax. The power producer is entitled to claim adjustment for input sales tax paid on plant and machinery imported or locally procured and services obtained locally for the power project. Import of plant and machinery for setting up a power project is exempt from sales tax.

As there will be no output sales tax prior to commencement of operations, the input sales tax paid during the said period (such as on locally procured goods and services) will be carried forward and adjusted over a period of time against output tax after commencement of operations.

For services obtained from outside Pakistan for the project, sales tax is payable by the project company in 'reverse charge' mode and is not considered admissible as input credit.

Customs duty:

Customs duty applies as per HS code of the imported item, however it does not exceed 5% during the project installation phase.

Others:

Certain levies under the labour laws are payable by industrial undertakings, including contribution to Workers Profit Participation Fund at 5% of accounting profit and Workers Welfare Fund computed at 2% of taxable income. These two levies are generally pass-through in tariff, unless provided otherwise in the Implementation Agreement signed between the Government of Pakistan and the project company. However, there are questions as to interpretation of provisions of these laws as well as the fact that both the provinces and the Federation have their laws and hence many power generation companies have taken up the matter of jurisdiction before the High Courts.

Philippines

Corporate Income Tax

Companies in the Philippines are generally organize as domestic corporations or branch offices. These are generally subject to a regular corporate income tax (RCIT) rate of 25% on taxable income or minimum corporate income tax (MCIT) rate of 2% on gross income. Corporations with net taxable income not exceeding Five million pesos (P5,000,000) and with total assets not exceeding One hundred million pesos (Pl00,000,000), excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed, shall be taxed at twenty percent (20%). The MCIT shall be applicable beginning from the 4th taxable year immediately following the year in which the corporation commenced its business operations and shall be payable whenever it is greater than the RCIT. The MCIT and RCIT will be calculated separately and whichever is higher shall be payable. Any excess of the MCIT over the RCIT shall be carried forward and credited against the RCIT for the 3 immediately succeeding taxable years.

Taxable income means the pertinent items of gross income, as specified in the Philippine Tax Code, less the deductions authorized by the same code and other special laws (e.g., ordinary and necessary business expenses, interest expense, depreciation, research and development).

Gross income, meanwhile, means all income derived from whatever source including, but not limited to, income derived from business, gains derived from dealings in property, interests, rents, royalties, dividends.

Income tax returns are filed on a quarterly and annual basis. For the annual income tax return, the taxpayer must also submit, among others, financial statements audited by a certified public accountant.

Withholding Taxes

Expanded withholding tax (EWT)

Income payments made to local suppliers of goods and services are generally subject to EWT at varying rates. The most common income payments relate to professional services (5% to 15%), local suppliers of goods (1%) and non-professional services and other service contractors (2%), and lease (5%).

Withholding tax on compensation (WTC)

Employers are liable for WTC on the salaries and compensation paid to its employees based on a withholding tax table with progressive rates ranging from 0% to 35%.

Final withholding tax (FWT)

Income payments made to non-resident foreign corporations and non-resident foreign individuals not engaged in trade or business in the Philippines are generally subject to 25% FWT on the gross amount received. This rate may be reduced by invoking the provisions of the applicable tax treaties. Common payments include royalties, interests, and dividends.

Withholding tax returns are filed on a monthly, quarterly, and annual basis.

Value-Added Tax

The sale of goods and services rendered in the Philippines are generally subject to 12% value-added tax (VAT). However, the sale of power generated through renewable sources of energy such as wind power is subject to 0% VAT. 12% VAT is also imposed on the importation of goods.

Excess input VAT may be carried over to the succeeding periods. Excess input VAT attributable to VAT zero-rated sales (e.g., sale of power generated through renewable sources of energy) may also be the subject of a claim for refund. The claim must filed within 2 years from close of the taxable quarter when the zero-rated sales were made. Further, excess input VAT may also be the subject of a refund upon closure/cessation of taxpayer's business.

VAT returns are filed on a quarterly basis.

Local Taxes

Local business tax. The municipality/city where the taxpayer is registered may impose local business tax at a rate not exceeding 2% of gross sales or receipts of the preceding calendar year.

Real property tax (RPT)

The province where the real property is located may impose RPT at a rate not exceeding one 1% of the assessed value of real property. Meanwhile, real properties located in a city within the Metropolitan Manila area may be the subject of RPT not exceeding 2% of the assessed value of real property.

Incentives

Incentives under Republic Act (RA) No. 9513 or the Renewable Energy Act of 2008 ("RE Law")

Qualified renewable energy (RE) developers such as Wind Power may be entitled to the following incentives under the RE Law:

- Income tax holiday (ITH) for the first 7 years of commercial operations.
- Duty-free importation of RE machinery, equipment and materials within the first 10 years upon issuance of a certification of an RE developer.
- Special realty tax rates on equipment and machinery.
- Net operating loss carry-over (NOLCO) – The NOLCO of the RE developer during the first 3 years from the start of commercial operation may be carried over for the next 7 consecutive taxable years following the year of such loss.
- Lower corporate tax rate – After the 7-year ITH, the RE developer shall pay a corporate tax of 10% of its taxable income, provided that the RE Developer shall pass on the savings to the end-users in the form of lower power rates.
- Accelerated depreciation – If an RE project fails to qualify to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such.
- VAT zero-rating on local purchases – The purchases of local supply of goods, properties and services needed for the development, construction and installation of plant facilities shall be subject to 0% VAT. This applies to the whole process of exploring and developing renewable energy sources up to its conversion into power which, in as interpreted by Philippine courts, may include importation of goods and purchase of services from non-residents.
- Cash incentive of RE developers for missionary electrification – An RE developer may be entitled to a cash generation-based incentive per kilowatt hour rate generated equivalent to 50% of the universal charge for power needed to service missionary areas where it operates the same.
- Tax exemption of carbon credits.
- Tax credit on domestic capital equipment and services – A tax credit equivalent to 100% of the value of the VAT and customs duties that would have been paid on the RE machinery, equipment,

materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer.

Incentives under the Tax Code, as amended by RA No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE Act"), as further amended by RA No. 12066 or the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act.

Enterprises which do not qualify as RE developers but would engage in other activities under the Strategic Investment Priority Plan (SIPP) may be entitled to the following incentives available for domestic market enterprises, depending on whether the Investment Promotion Agency or the Fiscal Incentives Review Board:

- Income Tax Holiday (ITH) for four (4) to seven (7) years, followed by ten (10) or twenty (20) years of Enhanced Deduction Regime (EDR); or
- EDR for a period of fourteen (14) to twenty-seven (27) years depending on location and industry priorities.
- The application for extension of availment of incentives shall be allowed for the same registered project or activity only if such project or activity employs at least ten thousand (10,000) direct local employees and maintains the said number during its registration, even if the registered project or activity no longer complies with the conditions and qualifications set forth in the SIPP. The extension of availment of incentives shall not exceed five (5) or thirteen (13) years. No ITH shall be granted to domestic market enterprises that have applied for extension of availment of incentives for the same project or activity.
- Enhanced deductions – This includes, among others, the following:
  - Additional depreciation allowance of 10% for buildings and additional 20% for machineries and equipment;
  - 50% additional deduction on the labor expenses incurred in the taxable year;
  - 100% additional deduction on research and development expense incurred in the taxable year;
  - 100% additional deduction on training expense incurred in the taxable year;
  - 50% additional deduction on domestic input expense incurred in the taxable year;
  - 100% additional deduction on power expense incurred in the taxable year;
  - The net operating loss during the first 3 years from start of commercial operation may be carried over as deduction from gross income within the next 5 consecutive years immediately following the last year of the ITH entitlement period of the project.
- Customs duty exemption on importation of capital equipment, raw materials, spare parts or accessories directly and exclusively used for the registered project.

Poland

Renewable sources of energy

For the purposes of Polish legal system, under the Act on renewable sources of energy, the renewable sources of energy are: non-fossil energy sources including wind energy, solar energy, aerothermal energy, geothermal energy, hydrothermal energy, hydropower, wave, current and tidal energy, ambient energy, energy from biomass, biogas, agricultural biogas, biomethane, bioliquids and renewable hydrogen.

Corporate income tax

Companies in Poland which are established and operating as limited liability companies, joint-stock companies, limited joint-stock partnerships, limited partnerships and to some general partnerships fulfilling specific conditions. The corporate income tax rate is 19% (a preferential rate of 9% applies to small taxpayers with annual turnover not exceeding EUR 2 million and to start-ups). The tax base comprises of revenue minus tax deductible costs. As a rule, in case of fixed assets with a value exceeding PLN 10,000.00 it is not possible to include them in tax deductible costs immediately on the day of acquisition. The value of fixed assets is included in the tax-deductible costs as part of the depreciation write-offs.

The Polish CIT Act contains an appendix with the list of depreciation rates for various fixed assets. The list contains detailed positions and as such each particular asset related to the production of energy from renewable sources should be verified individually. Please find chosen depreciation rates applicable for wind power plants and photovoltaic farms:

Depreciation rates for individual parts of wind power plants are presented below.

- Foundation and tower of the wind power plant – 4,5%,
- Wind turbine – 7%,
- Cable lines – 10%,
- Medium voltage line, power station connection, photovoltaic panels, monitoring - 10%,
- Transformer station - 18%.

Municipal real estate tax

Real estate tax is a significant burden for producers of energy. The taxable base for the structures used by a company is their initial tax value, from which a 2% real estate tax is calculated. Once adopted, the initial tax value remains unchanged in subsequent years and is not reduced by depreciation charges. It should be noted, however, that jurisprudence regarding which elements of the station should be classified as structures for real

estate tax purposes is not uniform, and there is a real risk of also taxing electrical power equipment.

Currently, the Polish government is working on changing the scope and subjects of real estate taxation. From 2025, there are plans to create new definitions of buildings and structures - that is, objects that are subject to taxation. From the proposed regulations, it appears that the real estate tax will be calculated on the existing principles. However, the new bill will be subject to legislative works of the Polish parliament, therefore the final shape of the regulation is currently unknown.

Please, find below the impact of the proposed changes on the current regulations.

TYPE	CURRENT REGULATIONS	PROPOSED CHANGES
WIND POWER	The mast and foundation of the wind turbine, as well as the accompanying infrastructure, are subject to the real estate tax as structures. The transformer station or power station of a wind farm may be subject to separate classification. In the case of stations, as a rule, the structural parts of the station will be subject to real estate tax.	The amendment may extend the taxation of the construction parts of wind power plants. The proposed amendments broaden the definition of structures, which may also affect the taxation of technical facilities for the production of electricity. Proposed changes could introduce taxation of construction parts of wind farms. The foundation, support structure, and protective structure are considered constructions subject to municipal real estate tax. A wind power plant as a structure is explicitly identified in the proposed amendments.
HYDROPOWER	A hydroelectric power station is regarded as a structure listed in the Construction Law as a hydro-engineering structure, which should also be regarded as such for the purposes of municipal real estate tax.	The proposed changes may extend taxation to certain parts of hydroelectric power plants, such as the retaining structure. Hydro-engineering structures like dams, water stages, and water discharge facilities may be classified as taxable structures.
SOLAR ENERGY	As far as the municipal real estate taxation of photovoltaic panels is concerned, the photovoltaic cell itself does not constitute a structure, but only the building part in the form of the mounting system of the cell. Only the building parts of a photovoltaic power plant are considered to be a structure, and consequently, to that extent, the power plants are subject to municipal real estate tax.	The proposed amendments indicate that a photovoltaic power plant constitutes a structure, as well as an energy storage facility. The foundation, support structure, and protective structure are considered constructions subject to municipal real estate tax.
BIOGAS POWER PLANT	Under the current law, there is ongoing debate over whether an agricultural biogas plant should be classified and taxed in its entirety as a single building or whether its individual components should be taxed separately. In particular this concerns the taxation of storage tanks and digester tanks.	The proposed amendments introduce, among other things, a degassing facility as a construction subject to municipal real estate tax, a gas pipeline, as well as a facility in which gas is or can be stored, whose basic technical parameter determining its purpose is its capacity. An agricultural biogas plant as a structure is explicitly mentioned in the proposed amendments.

VAT

VAT taxation of energy produced from renewable energy sources in Poland is subject to VAT. The sale of electricity from renewable sources is considered a supply of goods.

The sale of electricity, regardless of its source, is subject to the standard VAT rate of 23%. Some entities producing energy from renewable energy sources may benefit from tax exemptions or reductions, for example, small energy producers who generate energy for their own purposes.

In the case of prosumers (individuals or small businesses that both produce and consume energy for their own needs), VAT rules are more complex and there are provisions under which such entities are not deemed as VAT taxpayer. Therefore a case by case analysis is crucial.

The sales made by VAT taxpayers, whose sales value did not exceed a total of PLN 200,000 in the previous fiscal year may be exempt from VAT on the sale of electricity from renewable energy sources.

Excise

Under the Excise Tax Act the electricity generated from renewable energy sources may be exempt from excise duty on the basis of a document confirming the redemption of a certificate of energy origin.

Grants and incentives

In the last quarter of 2024 and the beginning of 2025, grants and incentives to increase investment in renewable energy sources will be launched. From the European funds for Infrastructure, Climate, and Environment, over €29 billion is being allocated and will be allocated until 2027. Here are some ongoing and upcoming projects:

- Energy storage funding: PLN 4 billion from the National Fund for Environmental Protection and Water Management for the construction of energy storage facilities (funding available up to 45% for large enterprises, 55% for medium enterprises, and 65% for small enterprises),
- Ecological Credit funded by the European Funds for a Modern Economy Program (FENG) to improve energy efficiency: PLN 660 million allocated until January 31, 2025, for energy upgrades, with up to 80% funding for SMEs (small and medium-sized enterprises); an additional PLN 95 million will be available from June 2025,
- Priority Program Innovations for the Environment: loans of up to PLN 300 million are available to increase production capacity, including constructing technology lines or factories for environmentally beneficial innovative products, with a minimum investment value of PLN 2 million,
- Cogeneration funding: PLN 3.4 billion will be allocated from the National Fund for Environmental Protection and Water Management for cogeneration projects in the energy and industrial sectors, targeting businesses engaged in energy production,
- Additionally, grants for thermal modernization provided by the National Development Bank cover up to 80% of

investment costs. A total of PLN 700 million has been allocated for this purpose until 31 January 2025.

Special regulations

General

It is worth mentioning that in Poland there is an auction system for the support of renewable energy sources. Auctions are organized by the President of the Energy Regulatory Office. Within the auction system, the state declares a specific amount of renewable energy that it intends to purchase. The electricity generators declare the price at which they are able to produce the ordered renewable energy. The auctions are won by the generator offering the lowest price. Then the energy is purchased from this electricity generator at a fixed price for 15 years, adjusted by the annual inflation rate.

The government has recently proposed a bill, which assumes the differentiation of the maximum prices for the offshore wind power plant auctions. If the bill is passed, the maximum price will depend on the location of the plant.

Offshore

In 2021 a tax on offshore wind power plants was introduced by the Act on promoting the production of electricity in offshore wind power plants. The taxpayer is an entity conducting business activity in the field of electricity generation in an offshore wind power plant. Based on the Energy Law, the amount of the concession fee for a given year is calculated as a product of the installed electric capacity of the offshore wind farm (expressed in MW) resulting from the concession for the production of electric energy in this offshore wind farm, and an appropriate coefficient set at an amount not higher than PLN 23,000/MW. The maximum value of concession fee is equal to PLN 2,500,000.

Onshore

The concession fee is a product of the revenue obtained by an entity from the sale of goods or services in its licensed activity, achieved in the year in which the obligation to pay the fee arose, and the relevant coefficient (pursuant to the Regulation of the Council of Ministers for the production of energy the coefficient is equal to 0.0005).

We would like to draw your attention to the fact that Polish regulations specify the distance from specific residential buildings at which a wind power plant may be built. According to the above regulations, a wind farm may be located no less than 700 meters from residential buildings, subject to certain conditions.

Currently, legislative work is underway to amend the regulations to allow the location of wind farms at a reduced distance of no less than 500 meters from residential buildings, subject to certain conditions. It is also planned to introduce Integrated Investment Plans to accelerate investments in wind energy. This proposal is currently under review, and the date for its consideration by the Sejm (Polish Parliament) is not yet known.

Portugal

Brief legal framework

Renewables energy producers operating in Portugal are subject to the same general taxation regime that is also applicable to the remaining Portuguese tax resident companies. The Portuguese tax law does not foresee any significant tax benefits nor incentives for companies operating in the renewable energy sector.

In Portugal, the production of electricity, was mainly promoted through feed-in-tariff ("FiT") schemes, whereby a guaranteed remuneration was attributed to the producer.

For 2024, the remuneration for electricity generated from renewable sources may be established by market conditions or through bilateral agreements. However, other schemes to support the production of electricity from renewable energy sources may also apply.

Nevertheless, any previously granted remuneratory regimes (including guaranteed remuneration regimes) will continue to be applicable until the end of the specified attribution periods.

Corporate income tax

Rates

According to the Portuguese tax law, companies are subject to Corporate Income Tax ("CIT") at a rate of 21 percent over the taxable basis. A reduction of this rate to 20% is proposed in the Draft of the State Budget Law for 2025 – which is yet to be approved in the Portuguese Parliament.

There is however a 17% reduced CIT rate applicable to taxpayers qualified as small or medium enterprises or "Small Mid-Cap" companies. This rate shall apply only to the first EUR 50,000 of taxable income. It is also proposed a reduction of this rate to 16% in the Draft State Budget Law for 2025.

In addition, a state surcharge applies to the part of the taxable profit exceeding EUR 1,500,000 as follows: (i) 3 percent on profits between EUR 1,500,000 and EUR 7,500,000, (ii) 5 percent on profits between EUR 7,500,000 and EUR 35,000,000 (on the part exceeding EUR 7,500,000), and (iii) 9 percent on profits exceeding EUR 35,000,000.

This taxation may be increased by a municipal surcharge of up to 1.5 percent over the taxable profit (depending on each municipality). As a general rule, the municipal surcharge is due where the company's head office or place of effective management is located. In case the company has permanent establishment or local representation in more than one municipality (and a taxable basis higher than EUR 50,000) there is an allotment of the

taxable profit based on the payroll expenses attributable to each municipality.

Notwithstanding the above, in case more than 50 percent of a company's turnover derive from the exploitation of natural resources (or from waste processing) in more than one municipality, the municipal surcharge rate applicable may be computed based on different criteria (namely gross profit margin correspondent to the referred activities attributable to each municipality) upon governmental authorization and provided one of the interested municipalities requests the consideration of such criteria.

Based on the above, the combined nominal CIT rate can arise to a maximum of 31.5 percent (the reduction in rates provided for in the State Budget Law Proposal for 2025 will reduce the maximum rate to 30.5 percent).

Tax losses

The carry forward of tax losses is not subject to any time limitation (different carry forward periods were applied in the past).

The deduction of tax losses is limited to 65% of the taxable profit of the year.

Tax losses assessed in 2020 and 2021 benefit from an additional deduction of 10 percentage points (75% instead of 65%).

The ability to deduct tax losses following a change of ownership of more than 50 percent of the share capital of a company or of most of its voting rights is lost unless one can conclude that the operation does not have as main purpose, or one of its main purposes, the tax evasion which can be excluded in case there are valid economic reasons.

Please note that in case of tax losses no surcharges would be due. Moreover, the deduction of losses only affects the taxable basis for the CIT rate, meaning all surcharges will be due on the taxable profit before deducting any tax loss that may be available.

General costs deductibility

As a general rule, costs are deductible for tax purposes provided they are incurred in order to obtain taxable income.

In addition, for costs to be tax deductible they must be duly documented, registered in the company's book accounts in compliance with the "cut-off" principle and comply with the arm's length principle when charged by related parties.

For illustrative purpose, please consider the following deductible expenses:

i. lease payments;

ii. salary expenses and related social security, insurance and pension contributions;

iii. taxes (such as local taxes);

iv. financial expenses (it being noted that several tax rules limit the tax deductibility of said financial expenses, as addressed below);

v. amortization and depreciation; and,

vi. O&M expenses.

However, there are some costs that are expressly foreseen as non-deductible for CIT purposes (e.g. CIT, Extraordinary Contribution of the Energy Sector ("ESEC"), penalties,

unduly documented expenses, unjustified payments to tax havens, etc.).

Provision for dismantling costs

In case a dismantling provision is booked, we would like to draw your attention to the following tax aspects.

The decommissioning costs are usually considered, equally, as an asset (incremental to the fixed assets) and a liability (provision). The calculation of this provision is based on an estimate of the present value of the costs the company are expecting to incur upon the end of the operation to restore the land on which the fixed assets were installed.

The depreciation of the incremental cost added to the fixed assets is not tax deductible since it is an estimate (not effective yet). However, since the reduction of the underlying provision will be tax deductible in the year in which the dismantling expense will be incurred (in which the cash-out occurs), a deferred tax asset may eventually be booked.

Asset Depreciation Deductibility

The depreciation of fixed assets is deductible for tax purposes provided that the asset suffers devaluation as a result of its use or of the passing of time (tangible assets, intangible assets, non-consumable biological assets and investment properties registered at acquisition cost are deemed to fulfil these requirements).

The depreciation must be computed over the asset's acquisition cost, at a rate that cannot exceed the one foreseen in Regulatory Decree no. 25/2009, of 14 September.

Please note the Regulatory Decree sets forth industry specific rates. In case those are not applicable, generic rates were also established for each type of asset. Some of those rates, potentially applicable to wind power generation assets, are depicted below (other may apply).

Code	Description	Rate (%)
Specific table		
1255	Measurement and control equipment	12.5
1240	Transformer stations and electric substations	5
1245	High voltage power lines	5
1250	Low voltage power lines	7.14
Generic table		
2250	Wind power and photovoltaic equipment	8

There are two main methods for calculating depreciation.

- on the **straight-line method**, the minimum useful life period of each asset is determined based on the maximum depreciation rates referred in the Regulatory Decree and the maximum useful life period is determined based on half of those rates.
- the **declining balance method** can only be applied to newly acquired tangible fixed assets or assets that are produced by the company, excluding buildings and light passenger or mixed-use vehicles. It allows acceleration of depreciation with

the amount of depreciation that is charged to an asset declining over time. In other words, more depreciation is deducted at the beginning of the life of the asset and less at the end.

Additionally, the tax authorities may allow depreciation at rates or methods other than the ones set out in Regulatory Decree no. 25/2009 (as for instance the production unit's method), but upon request of the taxpayer.

Intangible assets (such as licenses) must be depreciated during the period corresponding to their exclusive use by the company.

The following depreciation costs (among others) are not deductible for tax purposes:

- depreciation of assets not subject to devaluation;
- land depreciation;
- depreciation above the limits foreseen in Regulatory Decree n. 25/2009;
- depreciation performed beyond the assets' useful life;
- depreciation over the part of the acquisition cost related to the initial estimate of the cost of decommissioning or removal of the asset.

Deductibility of financing expenses

Under the Portuguese earnings stripping rules, interest and other net financing expenses are only deductible up to the higher of the following limits: (i) EUR 1M or (ii) 30 percent of earnings before depreciations, amortizations, net financing expenses and taxes ("EBITDA"). Nevertheless, the Portuguese CIT Code foresees that any amounts of net interest and other financing expenses that exceed the referred limits, and consequently are not deducted, as well as any unused EBITDA limit (whenever expenses do not exceed 30 percent of the EBITDA) may be carried forward for five tax years.

Incentive for the capitalization of companies

This regime, introduced by the State Budget Law for 2023 and reviewed in 2024, consists in a deduction of the amount corresponding to the application of the 12-month Euribor rate (based on the average for the tax period, calculated using the last day of each month), plus a spread of 1.5 percentage points, on the amount of eligible net increases in equity (if the taxpayer qualifies as a micro, small, or medium enterprise or as a "Small midcap" company, the spread is increased to 2%).

The State Budget Law Proposal for 2025 foresees the harmonization of the deduction applicable to different taxpayers and, therefore, a spread of 2% will be applicable regardless of the qualification of the taxpayer.

This deduction is computed over the sum of the net increases in "eligible equity" that take place in each of the previous six following tax periods. This deduction may not exceed, in each tax year, the higher of the following two limits: (i) €4,000,000 or (ii) 30% of EBITDA. In what respect amounts that would exceed this last limit a carry-forward mechanism for the following five years is in place.

This deduction is to be increased by 50% in 2024, 30% in 2025 (note that, according to the

State Budget Law for 2025, it is proposed that such deduction shall also be increased by 50% in 2025 and 20% in 2026), with the amount of the increased deduction continuing to be subject to the higher of the applicable limits. For this regime, only net increases in equity that occur in tax periods beginning on or after 1 January 2023 are considered.

Generally, the following may be considered as eligible equity increases:

a. cash contributions made in connection with the incorporation of companies or the increase in the share capital of the beneficiary company;

b. contributions in kind made within the scope of the share capital increase that correspond to the conversion of credits into capital;

c. premiums for issuing of securities; and,

d. accounting profits of the year that are applied to retained earnings or, directly, to reserves or to an increase in share capital.

Some exceptions and additional requirements need to be considered.

Withholding Tax

Dividends & Interest

Dividends and interest paid to a non-resident company without a permanent establishment in Portugal are subject to a final withholding tax at a rate of 25 percent. However, provided some requirements are met, a reduced withholding tax rate may apply under the relevant DTT, or an exemption may be granted under the EU Directives as implemented under the Portuguese tax law.

In both scenarios an aggravated withholding tax rate of 35 percent is applicable if the entity obtaining the dividends or interest is resident in a tax haven.

EPC contracts and O&M agreement

Services contracted in respect to the EPC & O&M agreement, if paid to a non-resident entity (with no permanent establishment in Portugal), are subject to withholding tax in Portugal at a rate of 25 percent.

However, this withholding tax rate may, in principle, be reduced or eliminated in case a DTT has been signed between Portugal and the State where the non-resident entity has its tax residency.

Please note that the definition of permanent establishment under the Portuguese tax law generically follows the OECD convention model with some exceptions, namely, it provides expressly that a building site or construction or installation project (where EPC may be included) constitutes a permanent establishment if it lasts more than six months.

Stamp Duty on Funding

Under the Portuguese tax law, Stamp Duty is levied on all acts, contracts, documents, securities, books, papers, and other events listed in the Stamp Duty General Chart (which includes the use of credit and guarantees).

The above mentioned facts are also subject to Stamp Duty if, although they occur outside the Portuguese territory, they are presented for legal purposes in Portugal.

Loans and guarantees granted to or by a Portuguese resident entity are subject to Stamp Duty levied on the value of the credit

used or on the guarantee's value at rates that vary between 0,04 percent (per month) and 0,6% (one-off) according to the maturity of the loan/guarantee.

Stamp duty also applies at the rate of 4 percent on interest charged by credit institutions, financial companies or other financial entities.

Please note, some exemptions may apply in respect to intra-group relationships or depending on the type of financing instrument being granted.

Real Estate Transfer Tax

In accordance with the Portuguese Real Estate Transfer Tax ("RETT") Code, all onerous transfers of ownership rights or parts thereof on real estate located in the Portuguese territory, regardless of how such transfers are carried out, are subject to RETT.

RETT is due by any individual or legal person to whom the real estate is transferred and is levied on the amount shown in the respective deed or agreement, or on the property tax value, depending on which is higher.

In addition, RETT is also levied on certain economic "transfer of ownership" transactions, such as:

- sale agreements of immovable property (on delivery);
- leases or sub-leases for a period that exceeds 30 years;
- surface rights.

Moreover, Portuguese legislation foresees that RETT will be triggered on the acquisition

of shares of a company, namely the acquisition of shares of a non-listed public limited liability company ("sociedade anónima" or "S.A."), when the following cumulative conditions are fulfilled:

i. By that acquisition, by amortization or any other facts, the acquirer should retain at least 75% of the share capital of the company;

ii. The real estate asset value of the company is, directly or indirectly, composed by more than 50% of real estate assets located in Portugal, considering the balance sheet of the immovable properties at stake or, if higher, the property tax value of these properties;

iii. The immovable properties are not directly allocated to a commercial, industrial, or agricultural activity, excluding the activity of purchase and sale of real estate assets.

RETT is due by the purchaser upon the acquisition of a property at a flat rate of:

- 6.5 percent on the acquisition of urban properties;
- 5 percent for rural property;
- 10% for any urban or rural property if the purchaser is a company resident in a listed tax haven, or by an entity dominated or controlled, directly or indirectly, by an entity which is tax resident in a tax haven.

In a pure property transaction (asset deal), Stamp Duty applies in addition to RETT, at a rate of 0.8 percent.

Municipal Real Estate Tax

Municipal real estate tax is levied annually on the properties located in the Portuguese territory, including movable improvements remaining fixed in the same place for more than 1 year.

This tax is payable by the person registered as the owner of the immovable property on 31 December, unless when the immovable property is subject to a use right or surface right, in which the tax should be payable by the person registered as the holder of the use right or the surface right after the beginning of the construction.

The municipal real estate tax is levied on the tax registration value of buildings, flats, plots of land and rural land.

The tax rates are the following:

- 0.3 percent to 0.45 percent for urban buildings registered and/or owned since 1 December 2003 (the rates are increased to the triple if the property has been vacant for more than one year);
- 0.8 percent for rural property;
- 7,5% for any urban or rural property if the purchaser is a company resident in a listed tax haven, or by an entity dominated or controlled, directly or indirectly, by an entity which is tax resident in a tax haven.

As laid down in article 44-A of the Tax Benefits Regime, urban immovable property exclusively allocated to the production of energy from renewable sources (e.g. wind, solar) may benefit, under certain conditions, from a reduction of 50 percent of the tax, subject to request to the Portuguese Tax Authorities.

If approved, this benefit is applied during a period of 5 years, as from the property's allocation to the production of energy.

According to Circular Letter No. 8 of 4th October 2013, each windmill has been considered by the Portuguese Tax Authorities as urban buildings. Nevertheless, the Portuguese Administrative Supreme Court has issued decisions with regard to wind farms and considered that each windmill that is located in the wind farms could not be considered as an urban building for tax purposes and therefore is not subject to this municipal real estate tax.

Following the above mentioned case-law, the Portuguese Tax Authorities have changed their course of action, cancelling the already issued cadastral records of windmills and abstaining from registering any other as urban property. Additionally, it has also proceeded to the refund of undue payments.

Moreover, the Portuguese Tax Authorities issued and established generic guidelines, through Circular Letter No. 2 of 3rd March 2021, according to which "wind and solar plants are realities that fulfil the structural elements of the building concept". In this sense, the Portuguese Tax Authorities expressed its latest understanding that wind and solar power plants should be qualified as urban industrial buildings. This Circular Letter revoked the previous understanding expressed in Circular Letter No. 8 of 2013.

The Portuguese Tax Authorities also clarified that for the purposes of assessing wind power stations, the substations, control buildings and wind towers that make up the power station must be taken into account, as well as the land where these buildings are located.

As regards the wind towers per se, only the foundation (reinforced concrete footing) and the tower (in steel or concrete) must be taken into account, not the blades, rotor and cabin (nacelle).

This latest understanding may be favourable to the taxpayers, as it limits the area of the building to the area effectively implanted in the soil, not considering the area occupied, namely, by the blades, which would significantly increase the same.

Similarly, it is relevant to mention a decision by a Portuguese Court of first instance regarding the legality of the calculation of the patrimonial tax value of an onshore windfarm, specifically concerning the inclusion of wind turbine towers in this calculation.

The Court concluded that "wind towers are generator equipment (comparable to blades, rotor and nacelle – components inseparable from them), aimed at energy production, surpassing their function of supporting and elevating wind turbines, lacking the economic element to be considered a "building"" for municipal real estate tax purposes. Consequently, "wind turbine towers cannot be subject to municipal real estate tax, because if this were the case, we would be taxing production equipment", which is contrary to municipal real estate tax rules.

Moreover, the Court understood that" the wind tower is not included in the concept of a construction/building, being, instead, an equipment installed on site and that can, perfectly, be removed from there when it is necessary".

Concerning the solar power plants, the Portuguese Tax Authorities, under the above mentioned Circular Letter, stated that the calculation of the property tax value should consider the substations, the control buildings and the structure supporting the solar panels or collectors composing the power plant, as well as the land where these constructions are implemented.

Furthermore, as for the supporting structure itself, it is considered to be the foundation (in reinforced concrete or drilled into the ground), the pillars/prongs fixed to the foundation and the screed, with the solar panels not being taken into account.

Regarding hydroelectric plants, the Portuguese Tax Authorities have been issued municipal real estate tax assessments, based on the Circular Letter No. 2 of 3rd March 2021 as well. As a result, taxable persons have been contesting these assessments issued, specifically relating to the elements that should be taken into account for the purposes of calculating the patrimonial tax value.

In view of the above, it is relevant to emphasise that the taxation of urban immovable property allocated to the production of energy from renewable sources is not entirely settled and has been regularly discussed in the Portuguese Courts, particularly in relation to the equipment of each of these immovable properties that should be considered for the purposes of assessing the patrimonial tax value.

KPMG

Value Added Tax

General framework

Value Added Tax ("VAT") is due on any supply of goods or services made in Portugal, where it is a taxable supply made by a taxable person in the course or furtherance of a business carried on by said person.

VAT is also due on importations and acquisitions of goods from other EU Member States.

The supply of goods shall mean the transfer of the right to dispose of tangible property as owner.

It is considered as supply of services, any transaction which does not constitute a supply of goods.

For VAT purposes, the electricity shall be treated as tangible property, and, therefore, the sale of electricity is considered as supply of goods.

Considering that the development and the exploration of wind farms is an economic activity, the entities that carry out such activity will be considered as a VATable person.

VAT due date

According to the general rules, VAT is due and becomes demandable:

- on supplies of goods, at the moment when the goods are made available;
- on supplies of services, at the moment when they take place.
- on transfers of goods and supplies of ongoing services, usually applied on the supplies of electricity, resulting from contracts that lead to successive payments, it is considered that the goods are made available and the supplies of services are carried out at the end of the period that relates to each payment (with the limit of 12 months).

Place of supply rules

The general rule establishes that the supply of goods is considered located in Portugal if the goods are located in this territory at the moment when their transport or expedition to the acquirer begins, or at the moment they are put at the acquirer's disposal.

However, for VAT purposes, the supply of electricity (e.g. sale) is taxable in Portugal under the following special place of supply rules:

- when the acquirer is an electricity´ reseller, and its seat, fixed establishment for which the goods are supplied or, in the absence of such seat or fixed establishment, domicile, is located in Portuguese territory.
- when the acquirer has a seat, fixed establishment for which the goods are supplied or, in the absence of such seat or fixed establishment, domicile in Portuguese territory, and if the acquisition of electricity is not for final use or consumption by this acquirer.
- when the final use or consumption of the electricity by the acquirer, is carried out in national territory, and , such acquirer is not an electricity reseller with seat, fixed establishment for which the goods are supplied or, in the absence of such seat or fixed establishment, domicile outside the Portuguese territory.

On the other hand, the supply of electricity will not be taxable in Portugal in the following situations:

- when the acquirer is an electricity reseller, and its seat, fixed establishment for which the goods are supplied or, in the absence of such seat or fixed establishment, domicile, is located outside the Portuguese territory.

- when the final use or consumption of the electricity by the acquirer, is carried out outside the Portuguese territory, and, such acquirer is not an electricity reseller with seat, fixed establishment for which the goods are supplied or, in the absence of such seat or fixed establishment, domicile located in the Portuguese territory.

Regarding the supply of services, the Portuguese VAT law foresees the following two general place of supply rules:

- business-to-business (B2B) rule: the services supplied to VATable persons, are located at the place of the head-office, establishment or domicile of the acquirer.

- business-to-consumer (B2C) rule: the services supplied to non-VATable persons (final consumers), are located at the place of the head-office, establishment, or domicile of the supplier.

In this context, when a non-resident entity provides services to a Portuguese company (e.g. maintenance services of the wind farms, or consultancy services), the Portuguese company must self-assess VAT (reverse-charge mechanism) and deduct this VAT if linked with taxable output operations.

Nevertheless, there are also foreseen special place of supply of services rules. For instance the services related to immovable properties (such as the construction of wind farms) located in national territory are taxable in Portugal.

Reverse-charge on domestic supplies of goods and services

The Portuguese VAT law foresees a reverse-charge mechanism (self-assessment of the VAT by the acquirer) on some operations, such as the supply of construction services, among others.

Generally, the EPC contract for a construction of the wind farm is subject to the reverse-charge mechanism, which means that the acquirer should self-assess and deduct the VAT with no cash-flow impact.

VAT rates

The reduced VAT rates are 6 percent in the mainland, and 4 percent in the Autonomous Region of Madeira and in the Autonomous Region of Azores (applicable to accommodation, among other services / supplies).

The intermediate rate is 13 percent in the mainland, 12 percent in the Autonomous Region of Madeira and 9 percent in the Autonomous Region of Azores (e.g. oil, diesel and heating fuel). The standard VAT rate is 23 percent in the mainland, 22 percent in the Autonomous Region of Madeira and 16 percent in the Autonomous Region of Azores.

The sale of electricity is subject to the standard VAT rate. However, a reduced VAT rate is applicable to the fixed component of

grid access charges for electricity supplies, corresponding to a contracted power not exceeding 3,45kVA. Hence, this reduced VAT rate is only applicable on the supplies of energy by the energy' suppliers to end users and not to the supplies of energy by the energy's producers to energy' suppliers.

Additionally, there are a reduced VAT rate to other supplies to end users, namely, Law No. 19/2022, of 21st October, that introduced item 2.38 on the List I annexed to the VAT Code, which provides that until 31st December 2024 the supply of electricity for consumption, excluding its fixed components, in relation to a contracted power not exceeding 6.90 kVA, to the extent that it does not exceed a) 100 kWh per 30-day period; or b) 150 kWh per 30 day period, when acquired for the consumption of large families, i.e. families with five or more members.

Moreover, as of 1st January 2025, the reduced rate of VAT will apply to the supply of electricity for consumption, excluding its fixed components, in relation to a contracted power not exceeding 6.90 kVA, to the extent that it does not exceed a) 200 kWh per 30-day period; or b) 300 kWh per 30 day period, when acquired for the consumption of large families

Deduction

Companies are entitled to deduct the VAT incurred to perform operations subject to and not exempt from VAT or in VAT exempt operations that give right for deduction – e.g. exports, operations carried out abroad that would be taxable if performed in national territory, among others.

The deduction of the input VAT depends also on the fulfillment of several conditions, namely, the issuance of invoices in accordance with the requirements foreseen in article 36 (5) of the VAT Code and Decree-Law no. 28/2019, of February 15th (e.g.the invoices underlying the operations should be issued in the name and with the VAT number of the taxable entity).

The acquirer of operations subject to the reverse-charge mechanism (e.g. construction services) may only deduct the correspondent VAT if it carries out the respective self-assessment.

VAT incurred with the following expenses, among others, may not, in principle, be deducted:

- acquisitions, rentals, maintenance and other expenses related to touristic vehicles (except the expenses regarding electric or plug-in vehicles, which the acquisition cost does not exceed the amount fixed in the Ministerial Order no. 467/2010, of 7 July), leisure-boats, helicopters, aircrafts and motorcycles;
- fuel (except diesel, LPG and natural gas, deductible in 50 percent);
- travel, accommodation, and meals.

Refund

Taxable entities in a VAT credit position may request a VAT refund to the authorities, provided that the correspondent legal conditions are met.

The PTA should refund the VAT within a period of three months.

The request of a VAT refund may give raise to a VAT audit.

VAT returns

Most registered businesses are required to submit VAT returns on a monthly basis. However, if the estimated annual turnover is less than EUR 650,000, the taxable person may opt to submit quarterly VAT returns.

The electronic data processing systems used by entities to register their operations, namely for invoicing and accounting purposes, must fulfill the SAF-T PT (Standard Audit File for Tax purposes) requirements.

Other duties

Extraordinary Contribution of the Energy Sector (ESEC)

The ESEC´s regime has been approved and introduced in the Portuguese tax system in 2014, having been extended, every year, until 2024 (it is also proposed in the Draft of State Budget Law to maintain the ESEC in 2025 under the same terms applicable for the year of 2024).

This regime has been introduced with the purpose of financing mechanisms that promote the sustainability of the energy sector, through the setting up of a fund, which aims to decrease the tariff deficit and finance social and environmental policies of the energy sector.

Among others, ESEC is levied on taxpayers which have a fiscal address, head office, effective management or permanent establishment in the Portuguese territory, and that, fall under one of the following situations:

i. holders of operation licenses for power plants (except those located in the Autonomous Regions of the Azores or Madeira);

ii. holders of production licenses that have been considered to be in a condition to be authorized to start operation (except those located in the Autonomous Regions of the Azores and Madeira);

iii. Wholesalers of electricity.

This contribution is levied, generally, at a rate of 0.85 percent, on the net value of the following assets, as presented on the financial statements of the taxpayer at the 1st of January of the relevant year:

i. tangible assets;

ii. intangible assets, with the exception of intellectual property; and,

iii. financial assets arising from concession arrangements or licensed activities foreseen on article 2 of the ESEC's regime.

As this regime aims to promote the sustainability of the energy sector, assets acquired or produced in tax periods beginning on or after 1 January 2024 deemed to be allocated to the development of sustainable economic activities under the terms of the EU Green Taxonomy Regulation by the Portuguese Environmental Agency (APA, I. P.) shall be excluded from ESEC's tax base.

Generally, ESEC assessment and payment is made until 31 October of each year. Please note that, as previously mentioned, ESEC's payment shall not be considered a deductible expense for tax purposes.

Please note that until 2018 companies operating in the renewables energy sector were exempt of ESEC.

However, the State Budget Law for 2019 introduced significant changes on ESEC, namely reducing the scope of the exemptions to certain companies operating in the renewables energy sector. The aim of the change was to include operators that were benefiting from the FiT schemes, namely wind power operators.

The following renewable energy producers continued to be exempt from the ESEC regime:

i. operators who hold licenses or rights granted to them in the context of a public tender (as long as the respective producers are complying with their contractual rights);

ii. operators of small scale generation units or self-consumption generation units;

iii. producers of electricity and heat through micro-cogeneration plants. and,

iv. producers of electricity through power plants using renewable energy sources with an installed capacity of less than 20 megawatts (as long as all the power plants owned by the same taxable person may not exceed an installed capacity of 60 megawatts covered by FiT schemes).

Please note that there are already decisions from the Portuguese Constitutional Court declaring that ESEC is contrary to the Portuguese Constitution in the part which is levied over the value of the assets of companies holding electrical production centers using renewable sources. The discussion on whether this contribution is against the Portuguese Constitution has been evolving and shall be monitored in the future.

Municipality "rent" due by wind power operators

The Portuguese base legislation that regulates the remuneration schemes applicable to wind power plants imposes a "rent" to be paid by each wind power producer to the Municipality where the wind farm is located.

Such "rent" was introduced with the purpose of distributing the global benefits to which the wind farms are entitled to at both national and local level.

This rent is computed based on a 2.5 percent rate over the mensal payment received from the entity that purchases the wind power-based electricity produced in each plant.

In case the plants are located in more than one municipality, the due amount must be allocated in proportion to the installed power in each municipality.

Notwithstanding the above, please note such rent may not be due in case some other more advantageous compensation arrangement was celebrated between the wind power producer and the relevant Municipality.

Clawback

Portugal and Spain are integrated in the Iberian energy market – MIBEL – which implies that both Portuguese and Spanish producers bid their energy at the same level. Therefore, whenever there is a measure implemented in one country, it necessarily leads to impacts at MIBEL level.

In 2012, the Spanish Government introduced a severe tax reform in the energy sector, mainly aimed to the electricity production. Such a tax reform brought up a negative outcome to Spanish producers' competitiveness when compared with their Portuguese counterparts.

As a response, in 2013, through Decree-Law no. 74/2013, of 6th June, Portugal implemented a mechanism – the clawback – with the main goal of restoring the competitive equilibrium in MIBEL, leveling Portuguese and Spanish producers.

At its beginning, the clawback mechanism foresaw a payment of a given amount per MWh generated by power plants held by ordinary producers. As renewable energy producers were under a special regime and were not considered for Portuguese energy law purposes as ordinary producers, they were excluded from the clawback mechanism.

Since August 2019, following the amendment of this mechanism (through Decree-Law no. 104/2019, of 9th August) all energy producers that bid their electricity at market conditions, i.e. without a guaranteed remuneration scheme, are included. Therefore, the clawback mechanism may now also apply to renewable energy producers acting under market conditions (some exemptions may apply).

Please note that the clawback mechanism was suspended in Spain and in Portugal since the third quarter of 2021.

Nevertheless, for the year of 2024, the clawback mechanism was reintroduced in phases through Administral Order no 3034/2024, with a payment on account amount set to align with the price fluctuations, as follows:

- Q1 of 2024: EUR 2.16 per MWh;
- Q2 of 2024: EUR 3.24 per MWh; and,
- Q3 and Q4 of 2024: EUR 4.31 per MWh.

Please note this is a regulatory matter that is dependent on the legal framework of each producer and therefore should be subject to specific legal analysis.

Romania

Corporate income tax

General

Renewable energy producers and traders are subject to the normal Romanian corporate income tax regime.

The taxable result of the company will include the operating income, less allowable tax deductions such as tax depreciation.

Romania does not have any offshore windfarms, but it is expected to have in the future since, on 8 May 2024, a Romanian offshore wind energy law was published. This law provides a legal framework for the exploration of the offshore wind perimeter and the construction and operation of the offshore wind power plants.

Corporate tax rate

The general corporate income tax rate in Romania is 16%. For Romanian micro-enterprises with a turnover of up to 1,000,000 euros the tax rates are 1% for companies that have at least 1 employee or 3% for companies with no employees. However, starting from 1 January 2023 the tax rate is 1% irrespective of the number of employees, and the turnover ceiling drops to 500,000 euros. The ceiling is expected to gradually be further reduced, in the coming years, to only 60,000 euros.

Starting from the fiscal year 2024 or the amended fiscal year 2024, a minimum tax on turnover has been introduced for companies paying corporate income tax if their turnover exceeds 50 million euros in the previous year. Companies with a corporate income tax lower than the minimum turnover tax (or even loss making companies), are required to pay the corporate income tax at the level of the minimum turnover tax.

Windfall tax payable by energy producers and traders

As of 1 November 2021, a new law introduced the windfall tax on electricity producers which had to declare and pay monthly to the state budget a windfall tax of 80% on any additional revenues, to be calculated based on the difference between the monthly selling price of electricity and RON 450/MWh (about EUR 90/MWh). The purpose of the law was to cap prices and clear invoices. The initial period of application was November 2021-March 2022, but the regime was extended via Government Emergency Ordinances and numerous laws for their approval until March 2025, for all energy producers, except for production capacities put into operation after the date of entry into force of the ordinance, that is, after 22 March 2022.

As of September 2022, the Romanian government broadened the scope of the

windfall profit levy to include not only energy producers but also certain energy suppliers and traders. Also, they amended as follows:

The levy is charged at 100 percent :

- on the monthly sales price that exceeds RON 450 per MWh for energy produced delivered in a month, in case of energy producers/aggregated companies for production activity, applicable for 1 September 2022 –31 March 2025 (the threshold has been currently lowered to RON 400 per MWh).

- on what exceeds 2% the average selling price of electricity in a month minus the average purchase price for the energy delivered in a month, for trading activity, applicable for 1 September 2022 – 31 August 2023. The term for applying the tax was extended to 31 March 2025 and the accepted margin has been increased to 10%.

Similar to the windfall profit taxes introduced by other countries, the initiative aims to raise funds to finance measures that would provide relief from rising inflation and energy prices.

During these three years the amendments concerned all its building blocks: who qualifies as taxpayer and who is exempt, what is the taxable base, what is the tax rate and even the name of the tax and its destination, which was changed from "tax on additional income" payable to the State Budget to a "levy" payable to the Energy Transition Fund".

Recently, on 7 November 2024, a communicate of the Romanian Constitutional Court announced that the Court ruled that

the surcharge levied on energy production companies under Romania's mechanism aimed at capping the end-user prices is breaching the principles of fair taxation. It is highly likely that once the Court Decision is published in the Official Gazette, the government will no longer be able to levy the surcharge during the several months until the scheme is supposed to end on 31 March 2025.

Tax consolidation

Tax consolidation has been made possible, optionally, starting from 1 January 2022, for corporate income tax, i.e. to offset the taxable profits of companies in a group against the tax losses of other jointly owned firms, directly or indirectly, if the member of the group which benefits from the offset holds a proportion of at least 75 % of the value/ number of shareholdings or voting rights in the entity which incurs the tax losses, for an uninterrupted period of one year prior to the start of consolidation. The period of application of the system will be five fiscal years, after which the option may be renewed.

Initial losses

In principle, tax losses in Romania may be carried forward for 7 years. There is no carry back of losses. Changes in ownership do not affect carrying forward tax losses. Tax losses recorded by taxpayers which cease to exist as a result of reorganizations are transferred to the taxpayers which are the beneficiaries of these reorganizations.

From 2024 onwards, tax losses can be carried forward for a period of 5 years up to a limit of 70% of the taxable profits obtained during the year. Tax losses carried forward from periods

before 2024 may be used within the same limit of 70% of realized taxable profits, but over a period of 7 years.

Tax incentives

Small (up to 27 KW installed power) producers of renewable energy (individuals mostly) are exempt from income tax and social security contributions, as well as VAT. Also, to support the production of renewable energy, certain incentive schemes are available in Romania. From a corporate tax point of view, the most commonly applied tax incentive by energy companies in Romania is the "tax relief on reinvested profit".

Tax relief on reinvested profit

Corporate tax relief is available for profit reinvested in technological equipment, computer programs and the right to use computer programs, and investments in assets used in retrofitting, production and processing activities. A company that is eligible for the exemption will be able to deduct 16% of the investment made in assets from the corporate tax due.

The accelerated depreciation method cannot be applied for these assets. Equipment must also be kept for at least half its normal useful economic life in accordance with the applicable accounting rules, but for no more than 5 years. Otherwise, corporate tax is recalculated accordingly and late payment interest and penalties are imposed.

Depreciation rules

In Romania, tax depreciation generally follows accounting depreciation (unless specific exceptions).

In Romania, wind turbine support towers and their foundations are considered buildings and for buildings only the straight-line method can be used. In practice, we often see buildings depreciated over a 40-60 years period.

Exit

A sale of shares in a Romanian company by a non-resident is subject to capital gain tax in Romania. The tax rate is 16%.

A wide network of Double Taxation Avoidance Treaties concluded by Romania may allow non-residents to be taxed at a reduced rate, or to be exempt, subject to certain conditions being fulfilled (e.g. presenting a certificate of tax residence).

Value added tax

General

In general, renewable energy producers and traders (renewable energy sources such as wind, solar, hydro) qualify as a taxable person for VAT purposes.

Transactions carried out by renewable energy companies (whether supply of energy to re-sellers or sales of green electricity certificates) are subject to simplification measures and apply reverse charge for the applicable standard VAT rate of 19% when the transactions are deemed to take place in Romania for VAT purposes. Sales of energy to end-users are subject to the standard rate, but as of April 1st 2022, the VAT rate was reduced to 5% for household, applicable for cold season.

Starting to 2024, the VAT rate of 9% will be applied for supply and installation of solar panels, supply and installation of highly

efficient low emissions heating systems for housing including installation kits, components or full solutions.

Entitlement to recover input VAT

Input VAT on goods and services used for a VAT taxable activity can in principle be recovered.

Generally, a company should be able to recover input VAT on costs in connection with the operation of windfarms (e.g. building cost, cost for grid connection, maintenance costs, management). This also applies to input VAT on costs incurred during the development of a renewable energy facility (e.g. legal and technical advice such as studies, grid connection studies, fees for obtaining the required permits), insofar as the company can substantiate its intention to start an economic activity giving rise to VAT taxable transactions in the future.

Input VAT linked to exempt or non-business activities can in principle not be recovered. This includes among others shareholding transactions, transactions with respect to immovable goods and financial transactions. Given the potential impact on the right to recover input VAT, it is recommended to seek advice prior to engaging in this type of transactions.

Development

In Romania, work in relation to immovable property (e.g. construction, maintenance) is subject to the VAT reverse charge mechanism under certain conditions.

In view of their size and weight, and the fact that they are permanently incorporated into the soil, wind turbines are qualified as immovable property by nature for VAT purposes. This immovable character is also attributed to the cables and network connections connecting the windfarm to the grid, and it extends to the fittings and equipment necessary for the use of the windfarm.

It follows that the construction of a windfarm concerns work in relation to immovable property, so that the contracts providing for the development of windfarms, including the delivery with installation of parts of the windfarm, are generally subject to the reverse charge mechanism. This also applies to the operation and maintenance works on the windfarm.

Although wind turbines qualify as immovable property by nature for VAT purposes, the passive immovable rent of windmills qualifies as a VAT taxable transaction giving rise to a right to deduct the input VAT.

Local taxes

While, wind turbines are considered as "equipment" for real estate tax purposes in Romania, the wind turbine support towers and their foundations are considered buildings for purpose of local tax.

Other taxes

In principle, the supply of electricity in Romania attracts excise duties, in particular when the electricity is supplied to end users, although exemptions can apply depending on the use of the electricity (e.g. an exemption for excise duties applies for the use of electricity produced for own use)

However, delivery of energy produced from renewable sources is exempt from excise duties.

Saudi Arabia

General

Wind power companies are subject to corporate income tax/zakat in a similar fashion as that of any other company operating in Saudi Arabia.

Whether a company is subject to corporate income tax and/or zakat is determined based on the underlying shareholding of a company.

As per article 2 of the tax regulations, the following persons are subject to corporate income tax:

- Resident capital companies in lieu of the shares held, directly or indirectly, by non-Saudis, except in the case of shares held by non-Saudis [other than the promoters] in capital companies listed on the Saudi Arabian Stock Exchange for trading purposes;
- Shares held, directly or indirectly, owned by persons [whether natural or legal persons and resident or non-resident persons] in entities engaged in the production of oil and hydrocarbons;
- A resident non-Saudi natural person who conducts business in KSA;
- A non-resident person who conducts business in KSA through a permanent establishment [PE];
- A non-resident person having taxable income from sources in KSA without having a PE therein [such persons are made subject to tax through the withholding tax mechanism]; and
- A person engaged in the field of natural gas investment.

In simpler terms, as per article 2 of the ITL read with article 1 of the ITBL an entity is subject to corporate income tax to the extent of the shares owned by non-Saudi persons, except in certain circumstances, as discussed above.

Contrarily, as per article 3 of the newly promulgated zakat regulations, the following persons are subject to zakat:

- A Saudi Arabian resident person who carries out an activity under a license in KSA;
- Saudi-owned sole proprietorship that is established in KSA in accordance with the applicable rules and regulations;
- Saudi-owned company established in KSA in accordance with the relevant applicable rules and regulations and the Saudi shares in the resident companies, in addition to the share of government authorities and establishments and their equivalents;

- Finance funds licensed by the Capital Market Authority [CMA];
- State-owned companies and resident companies owned by the Public Investment Fund [PIF] in accordance with the controls included in the relevant royal orders and ministerial resolutions; and
- The shares of the non-Saudi shareholder in resident companies listed on the Saudi Arabian stock exchange, with the exception of the shares of non-Saudi founders in accordance with the articles of association or the relevant regulatory documents.

Simply speaking, as per article 3 of the newly promulgated zakat regulations, an entity is subject to zakat to the extent of the shares owned by Saudi Arabian natural persons and GCC [Gulf Cooperation Council] nationals or the entities owned by them.

Additionally, in order to ascertain whether an entity will be subject to corporate income tax, zakat, or both, a look-through approach is applied by ZATCA in that the ultimate ownership of the entity under consideration is ascertained to determine the applicability of corporate income tax and/or zakat.

Corporate income tax

Saudi Arabia's income tax rules are governed by the Income Tax Law [ITL], which came into force in 2004. The ITL is supplemented by the implementing regulations [commonly known as by-laws].

Saudi Arabia's direct taxation system includes income tax, withholding tax, and zakat. Whether Saudi Arabian resident companies are subject to income tax or zakat – or both – generally depends on the shareholding structure.

As has been stated above, the Saudi Arabian nationals or the companies owned by such nationals are subject to zakat, and the shares owned by foreign (non-Saudi/non-GCC) investors shareholding are subject to corporate income tax. Similarly, based on the amendments in the income tax regulations, the companies engaged in the natural gas, oil, and hydrocarbon business are subject to corporate income tax regulations. However, direct or indirect shareholding of companies, engaged in oil and hydrocarbon activities, in listed companies is subject to zakat.

Provided below is a summary of certain important provisions of the ITL and the ITBL:

Taxable Income

Taxable income has been defined by the ITL to include all revenues, profits, and gains arising from the taxpayer's engagement in activities irrespective of the type and the manner of the payment thereof, including capital gains and incidental revenues.

Deductible expenses

As per the ITL, all business-related expenses (with the exception of capital-nature expenses and expenses that have been explicitly disallowed by the ITL) that have been paid or accrued by a taxpayer during a tax year are deductible in determining the tax base (i.e., taxable income).

Some of the major allowable expenses include the following:

I. Depreciation

Depreciation is a deductible expense, provided that the following conditions are met:

a. The asset is not intended for resale; it is to be used, in full or in part, for the entity's business purposes.

b. The asset is of a depreciable nature that loses value because of use or wear and tear and obsolescence and which has a value extending beyond the end of a taxable year.

c. The asset is owned by the business as per the ownership documents for buildings, contracts, and invoices for other assets.

d. The asset depreciation is allowed even if the asset becomes in-operational during the tax year.

Tax depreciation rates

For the purpose of calculating tax depreciation, assets are classified as follows:

Category/group	Description of assets	Tax depreciation rates
Land	Land	-
First	Stationary buildings	5%
Second	Movable industrial and agricultural buildings	10%
Third	Factories, machines, engines, hardware and software [computer software] and equipment, including passenger and cargo vehicles	25%
Fourth	Expenses for geological surveying, drilling, exploration, and other preliminary work to exploit natural resources and develop their fields	20%
Fifth	All other tangible and intangible depreciable assets not included in previous categories, such as furniture, planes, ships, trains and goodwill	10%

The ITL follows the declining balance method of depreciation based on the rates tabulated above.

II. Repairs and maintenance expenses

The ITL stipulates a limit for repairs and maintenance expenses incurred on fixed assets. According to this, if repairs and maintenance expenses exceed by 4% of the total group value of the assets in a year, the excess amount is added to the total group value of the assets and is entitled for a tax depreciation in the succeeding years.

III. Payroll and other employee benefits

ZATCA requires that all employees must have proper, signed, and updated contracts of employment. If the benefits paid to employees are not included in their employment contracts, such benefits may be disallowed by ZATCA.

The items that should be included in the employment contract [or amendments thereof], inter alia, are as follows:

- Confirmation that the employees are entitled to bonuses;
- Updated salaries with the breakdown of benefits according to the human resource policies approved by the Ministry of Labour;
- Entitlement to school fees
- Details and information on any other benefits/allowances being paid.

An approval of the employees benefits policy from the Ministry of Labour is required within three months from the date of establishment. In the absence of an approved policy, the salary expenses could be disallowed by ZATCA.

Additionally, with respect to the end-of-service benefits (EOSB), ZATCA does not allow advance payments on account of EOSB, nor does it allow the EOSB payments being paid in excess of the amounts stipulated under the labour law.

IV. Loan charges

Loan charges incurred in lieu of a loan are an allowable expense. However, such a deduction has been restricted to the lower of total interest income plus 50% of taxable income, exclusive of interest income and interest expense.

It is important to note that interest expenses paid by a branch office to its head office have been disallowed in their entirety by the ITL. Thus, the foregoing provisions will not apply to a branch office.

Non-deductible expenses

The following expenses have been specifically categorized by ITL as inadmissible expenses:

- Expenses not connected with earning taxable income;
- Payments made to shareholders, partners, or any of their relatives which constitute salaries, wages, awards, and the like and any payment which falls short of the arm's length criterion;
- Recreational expenses;
- Personal expenses;
- Income tax paid in KSA or another country;
- Fines and financial penalties paid or payable to any party in KSA, excluding those paid for breach of contractual obligations and conditions;
- Bribes or similar amounts are considered a criminal offense under the laws of KSA, even if paid abroad; and
- Payments made to head office by branch offices on account of royalties, commission expenses, interest expenses, and indirect general and administrative expenses allocated on an estimate basis.

Tax losses

The ITL allows for tax losses to be carried forward. The losses can be carried forward to the extent of 25% of the succeeding tax year's adjusted profit (profit arrived at after accounting for admissible and inadmissible expenses) until the loss has been fully set off.

Moreover, in case, the underlying ownership or control of a company is altered by 50% or more in a tax year, the losses cannot be carried over to the years following the year of change unless the company whose underlying ownership or control has changed continues to practice the same activity.

Zakat

Zakat is an obligatory payment required from Muslims according to the Sharia law and forms one of the five pillars of Islam. In most Muslim countries the payment of zakat has been left to individuals, whereas in [KSA], the collection of zakat is governed by formal regulations.

Simply speaking, zakat is assessed on the basis of earnings and holdings. All earnings

from business, industry, personal work, salaries, property, monetary acquisitions of whatever kind or description, including commercial or financial transactions, dividends, and generally all income on which Sharia law has levied a zakat, is subject to zakat.

Zakat is imposed @ 2.5% for zakat payers following a Hijri financial year and @ 2.578% for zakat payers following a Gregorian financial year.

The zakat base comprises two elements, i.e., the zakat-adjusted profits and the zakat base.

The zakat base comprises two elements, i.e., positive elements [additions towards the calculation of the zakat base] and negative elements [deductions from the zakat base]. Positive elements of the zakat base, inter alia, include equity, non-current liabilities, current liabilities if the corresponding current assets have been added towards the zakat base, etc. Negative elements inter alia comprise fixed assets, capital work in progress, spare parts, biological assets, intangible assets, etc.

Withholding tax

The ITL is predominantly based on source-based taxation. Meaning thereby, an item of income that is generated from sources in KSA is either subject to tax under the corporate income tax mechanism or the withholding tax mechanism. The withholding taxes are applicable on payments made by a resident person to non-resident service providers and goods are not subject to withholding tax.

The withholding tax rates prescribed by the ITL are as follows:

Category	Withholding tax rates
Management fees	20%
Royalties	15%
Technical and consulting services or international telecommunication services, rent, airline tickets, air or sea freight, dividends, return on loans, and insurance and reinsurance premiums	5%
Other payments	15%

Special economic zones

The government has introduced certain special economic zones designated for undertaking specified activities. Further details of these special economic zones can be accessed through the below link:

Special economic zones in KSA

Regional headquarters [RHQ]

KSA has recently implemented the concept of a RHQ, which is a unit of a multinational group established under Saudi Arabian laws to support, manage, and strategically guide its branches, subsidiaries, and affiliates in the Middle East and North Africa [MENA] region.

The requirement for an RHQ is applicable to a Multinational Corporation [MNC] with at least two subsidiaries or branches located in two different countries globally, excluding Saudi Arabia and the country of incorporation.

The RHQ will have a separate legal identity and will operate as a registered foreign company or branch in Saudi Arabia. RHQ serves as the administrative hub, providing support, management, and strategic direction over the region. A RHQ is not intended to conduct any commercial operations.

Establishing an RHQ is compulsory for MNEs (liable to establish an RHQ) to participate in government bidding and contracts, with certain exceptions.

Value-added tax

In 2017, Gulf Cooperation Council ("GCC") Member States (i.e., Bahrain, Kuwait, Oman, Qatar, the Kingdom of Saudi Arabia ("KSA"), and the United Arab Emirates) adopted the Unified Agreement for VAT of the Cooperation Council for the Arab States of the Gulf ("GCCVA"), which provides a common legal framework that the GCC Member States are required to use as a basis for their domestic VAT legislation.

KSA implemented its VAT Law ("VLAW") and VAT Implementing Regulations ("VATR") based on the guidelines set out in the GCCVA, effective from 1 January 2018.

For KSA VAT to apply to the supply of goods or services, it must be established whether the place of supply is within KSA. Generally, per the VAT legislation provisions, if the place of supply of any goods or services is not in KSA, the transaction is considered outside the scope of KSA VAT, and no VAT will be levied thereon. However, if the place of supply of goods or services is in KSA, such supplies would generally be subject to VAT at the standard rate or zero rate unless the supplies are specifically exempt from VAT.

VAT shall be applied at the standard rate of 15% of the supply value or the value of imports, except in cases where the supplies are zero-rated or specifically exempt from the levy of VAT.

Real Estate Transaction Tax

Real Estate Transaction Tax ("RETT") was implemented via Royal Decree A84 (Issued 1 October 2020), which imposed a tax at the rate of 5% on the value of real estate disposal transactions. All real estate disposal transactions on or after 4 October 2020 were exempted from VAT and subjected to the RETT. Since the promulgation of RETT, ZATCA has issued Real Estate Transaction Tax Implementing Regulations ("RETTR"), various guides, and rules governing certain aspects of the applicability of RETT and its implications on VAT.

Special tax regime

Currently, no special tax regime is applicable for companies engaged in power generation through wind.

Serbia

Corporate income tax

Renewable energy companies in Serbia are taxed in the same way as other companies. The CIT rate in Serbia is flat and amounts to 15%. Tax period is a business year which as a rule coincides with the calendar year (it is possible to amend the tax year to align it with corporate which is different from the calendar year). Taxable profit is determined in the CIT return by adjusting the taxpayer's profit or loss declared in the P&L prepared in line with IAS and IFRS / IFRS for SME and local regulation, further adjusted in line with the CIT Law. Adjustments to the company's P&L result include certain disallowed costs, non-taxable revenues, TP adjustments as well as depreciation calculated in accordance with the CIT Law (i.e. tax depreciation).

Tax depreciation

Tax depreciation is assessed on all non-current assets. All fixed assets are divided into five tax depreciation groups. In general, tax depreciation is calculated for each asset separately using the straight-line method and a base consisting of the cost of the asset applying group rates from the table below.

Tax depreciation rates per group are presented in the table below:

Tax depreciation rates		
Group	Type of asset	Rate
I	Buildings, warehouses, oil pipelines, airport runways, etc.	2.5%
II	Airplanes, air conditioners and other cooling, heating and air flow equipment, elevators, fences, office furniture, real estate with a useful life of less than 40 years, etc.	10%
III	Cars, photocopies, trucks, equipment for production of electricity, all other fixed asset not specified separately in other group, investments in real estate of other taxpayer, etc.	15%
IV	Equipment for air and water pollution control, oil well equipment, equipment form processing of minerals, returnable packing given to customers in the sale of products with the obligation to return, spare parts for airplanes, mobile telephone equipment and devices, fax machines and telegraph equipment, etc	20%
V	Movable construction equipment, billboards, neon signs, computers and IT equipment, carpets, curtains, uniforms, etc.	30%

In practice, the wind turbine in the accounting records is divided into parts that constitute immovable and movable property and accordingly various parts are classified into different tax depreciation groups. Land is not subject to depreciation.

Tax losses

The operating losses stated in the tax balance may be carried forward for five years and offset against operating profits. Capital losses may also be carried forward for five years and offset with capital gains only.

Thin cap and TP rules

The CIT Law provides that deductibility of interest from related party financing is tested both in line with thin capitalization and TP rules. Thin capitalization rules aim at restriction of excessive related party loan financing. Broadly, a debt to equity ratio of 4:1 must be satisfied for interest on the debt to be deemed deductible for tax purposes (except for banks and other financial institutions for which debt to equity ratio is 10:1), and there are special rules for its calculation.

After completing thin capitalization test, interest expenses should be further tested in line with the TP rules. The CIT Law provides that the taxpayer should disclose separately in the tax balance all transactions with related entities and to disclose transfer pricing adjustment (if any).

Tax incentives

Taxpayer could benefit from pro-rata Tax Holiday for a period of 10 years, if the following conditions are cumulatively met:

- Taxpayer invests at least RSD 1 billion in its fixed assets, or such amount is invested in taxpayer fixed assets by other entity. These assets would need to be put to use and paid to the supplier. The invested assets are used for performing of taxpayer registered activity in Serbia as well as any other activity inscribed in its Deed of incorporation/other internal document;
- Taxpayer employs during the investment period at least additional 100 qualifying employees for an indefinite period.

Conditions for application of the Tax Holiday would be met in the tax period in which the above requirements are cumulatively met (investment in fixed assets and employment). The 10-year period would start to run in the tax period in which the taxable profit before utilization of tax losses is realized after fulfillment of above investment and employment conditions.

Exit

In general, capital gains generated by a non-resident company through the sale of shares in a local Serbian entity is subject to 20% capital gains tax (CGT), unless stipulated differently by the DTT between Serbia and country of income recipient's tax residence. Tax compliance requirements would exist regardless of whether the transfer of shares in Serbian company would be taxed in Serbia or not.

WHT

According to the CIT Law, payment of interest, dividends, royalties, service fees (i.e. fees for market research services, accounting and auditing services, other services in the field

of legal and business consulting) and lease of movable and immovable properties in Serbia to non-resident companies is subject to WHT at the rate of 20%, unless otherwise prescribed by the relevant DTT. In addition, WHT is charged at 25% rate when payments of interest, royalties, lease and all types of service charges are made to non-resident companies based in a jurisdiction with a preferential tax system (i.e. tax havens).

Value added tax

VAT is assessed on the following:

- supplies of goods and services for business purposes by a taxpayer within the territory of Serbia; and
- the import of goods into Serbia.

Supply of electricity is considered a supply of goods to which general VAT rate of 20% is applied. A tax debtor is a taxpayer which performs supply of electricity. However, tax debtor is recipient of electricity in case of supply performed by VAT payer to another VAT payer which purchased the electricity for further sale (reverse charge).

Real estate transfer tax and property tax

In general, the transfer of ownership rights over real estate, which is not subject to VAT, is subject to transfer tax at a rate of 2.5%. The taxpayer is the seller.

In Serbia, tax on property is paid by the titleholder of the property rights (ownership, right of use, tenure, etc.). Property tax rate may not exceed 0.4%. Please note that in line with the Ministry of Finance opinion, wind turbines are subject to property tax in Serbia. In this case, the whole turbine including basis, tower, rotor, blades etc. is subject to property tax. In addition, in line with the opinion of Ministry of Finance, the solar power plants are also subject to property tax.

South Africa

Corporate income tax

Historically, large-scale independent power producers (IPPs) in South Africa operated under the Department of Mineral Resources and Energy's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). In terms of the REIPPP, a Power Purchase Agreement is signed between the IPP and South Africa's national public utility, Eskom. More recently, however, bilateral power purchase agreements with private offtakers have also become more prevalent.

For the most part, taxation of IPPs is governed by the same principles applicable to other taxpayers. Corporate income tax applies at a rate of 27%, dividends tax is charged at 20% (although dividends declared between South African companies are exempt from dividends tax), and a withholding tax of 15% applies to interest paid to non-resident companies. Where a Double Tax Agreement is in place between South Africa and the jurisdiction in which the shareholder or creditor is tax resident, the withholding tax rate may be reduced, subject to certain required written declarations and undertakings being in place which confirm the applicability of treaty relief.

With effect from 31 March 2023, limitations have been introduced with regard to the offset of assessed tax losses. Any tax loss carried forward from the previous year of assessment will be able to be utilised against any taxable income generated in the following year of assessment, however only to the extent that the utilisation thereof does not exceed the higher of R1 million or 80% of the amount of taxable income determined in that year of assessment.

Tax complexities that are common to IPPs include cross-currency and interest rate swaps, possible limitation of deductibility of interest paid to foreign shareholders, deferral of deductibility of most pre-trade expenditure although pre-trade income remains fully taxable, potential non-deductibility of certain financing charges in respect of instruments that may be regarded as "hybrid debt instruments", and the timing of inclusion and deduction of foreign exchange gains and losses.

Special tax regime

Capital allowances

Accelerated capital allowances are available to companies using assets in their trade as IPPs to generate electricity from renewable energy sources, including wind power, photovoltaic solar energy, concentrated solar energy, hydropower, and biomass. In the case of wind power, in terms of section 12B of the Income Tax Act, 50% of the cost to acquire the asset may be deducted in the year in which the asset is brought into use, and 30% and 20% may be deducted in each of the two succeeding years, respectively.

Similarly, in terms of a recently introduced section 12BA of the Income Tax Act (effective for the period 1 March 2023 until 28 February 2025), 125% of the cost to acquire a new and unused generation asset may be deducted in the year in which the asset is brought into use. However, it is important to note that the section 12B and section 12BA allowances cannot be claimed in respect of the same asset.

In respect of costs incurred to acquire or make capital improvements to roads and fences in their renewable energy trade, a section 12U deduction of 100% of such costs is available to IPPs in the year in which such costs are incurred.

Capital allowances are calculated with reference to the cost to the taxpayer of acquiring such renewable energy assets or of making capital improvements thereto. An assessment of which costs will qualify for capital allowances must be done on an asset-by-asset basis. It is therefore imperative that IPPs componentize their tax asset register. In doing so, it is important to ensure that the contractor erecting the plant on behalf of the IPP provides as much granular detail as possible to the IPP regarding its costs invoiced. Further, costs such as financing costs, certain consulting fees, and certain costs relating to permanent works or land preparation cannot be included in the cost of the assets for purposes of claiming capital allowances. Since certain of these costs are also not otherwise deductible for tax purposes, IPPs often overestimate the quantum of the available capital allowances when preparing their financial models during the bidding phase of the REIPPPP.

In the South African renewable energy industry, it is typical that IPPs construct their plants on land that they either lease or over which they have access via a servitude, in other words land that is not owned by the IPP. In such cases, capital allowances in respect of certain buildings and permanent works are often not available, due to South Africa's legal principle of accession (immovable works accede to the land on which they are built and becomes the property of the landowner). Whilst section 12N contemplated this and attempted to deem the IPP to be the owner of the land when claiming capital allowances, it does not have the intended result. Further, costs incurred in respect of electrical grid connection works and transmission lines will often not qualify for capital allowances, as these assets are usually contractually agreed to be legally owned by Eskom and not by the IPP.

Carbon tax

South Africa introduced a carbon tax effective from 1 June 2019. The carbon tax aims to reduce greenhouse gas (GHG) emissions in an environmentally sustainable but affordable way, in line with commitments made by South Africa under the Paris Agreement.

The Carbon Tax Act adopts a 'polluter pays' principle. It aims to crystalise financial implications of pollution, to encourage South Africans to take this into account in their future production, consumption and investment decisions. The tax is administered as part of South Africa's customs and excise system, and will be implemented in three phases: The first phase was initially extended to run from 1 June 2019 to 31 December 2022, the second phase from 2023 to 2030, and the third phase thereafter. The Carbon Tax Act was amended (as part of the 2022 Budget Review) to extend phase 1 until 31 December 2025.

Phase 1 includes numerous sector exemptions and allowances to reduce the initial impact on businesses, whilst encouraging the transition to a low carbon economy and meeting international climate action commitments.

The design of the carbon tax follows international carbon pricing systems (such as the European Union Emissions Trading Scheme, as well as schemes in California and Alberta) that provide for the use of carbon offsets by companies to reduce their carbon tax liability.

Carbon offsets take the form of investments in specific projects that reduce, avoid or sequester emissions. Companies will be able to reduce their carbon tax liability by using offset credits up to a maximum of 5% or 10% of their process or fuel combustion GHG emissions, respectively.

The Carbon Tax Act, which was gazetted on 23 May 2019 and came into effect on 1 June 2019, has been implemented by Government to meet its nationally-determined contribution commitments in terms of the 2015 Paris Agreement.

Carbon tax is viewed as the most effective method to ensure a sustained reduction in carbon emissions in South Africa.

The Carbon Tax Act forms an integral part of ensuring that South Africa meets these targets, with the primary goals of carbon tax being:

- to determine the social cost associated with excessive GHG emissions;
- to ensure that businesses and households take this price into account in their decisions; and
- to drive a change in corporate behaviour to encourage a move to cleaner technologies.

The first phase of the tax is effective from 1 June 2019 and will end on 31 December 2025. The first phase has been implemented to ensure electricity tariff neutrality (via the environmental levy offset to electricity tariffs), and incorporates a number of tax-free allowances, to reduce the initial impact on businesses, whilst encouraging the transition to a low carbon economy and meeting international climate action commitments. The second phase will commence thereafter until the end of 2030. The third phase will apply from 2031 to 2050.

The Carbon Tax Act identifies activities from which emissions are generated, as set out in its Schedule 2, and specifies the mechanics of and selected inputs for determining (i) emissions, (ii) the tax liability and (iii) applicability of allowances, as well as (iv) reporting requirements and payment arrangements. The Carbon Tax Act makes reference to the triggering activities and applies both the emissions factors and the reporting methodologies determined and approved by DFFE, as established by the Mandatory Reporting Regulations supported by the Technical Guidelines.

In order for a person to be liable to pay carbon tax, that person must conduct an activity in South Africa resulting in GHG emissions, as itemised in Schedule 2, above the specified thresholds for the activity conducted. Only persons with a total installed (design) capacity for an activity that is equal to or above the indicated threshold (mostly a total installed thermal capacity of around 10MW), will be subject to the tax in the first phase, and should therefore quantify and report their emissions. The capacity thresholds apply to each legal entity.

Carbon tax applies to all the sectors and activities, except for the Agriculture Forestry and Other Land Use (AFOLU) and waste sectors, which will be exempt during the first phase due to measurement difficulties.

The Carbon Tax Act is complemented by the following regulations relating to the tax-free allowances:

- Greenhouse Gas Intensity Benchmark Regulations in respect of the performance allowance;
- Carbon Offsets Regulations in respect of the carbon offset allowance; and
- Trade Exposure Regulations in respect of the trade exposure allowance.

Carbon offsets "involve specific projects / activities that reduce, avoid or sequester emissions, and are developed and evaluated under specific methodologies and standards, which enable the issuance of carbon offsets".

Section 13 of the Carbon Tax Act, No. 15 of 2019 (Carbon Tax Act) provides for a carbon offset allowance, whereby taxpayers may reduce the amount of carbon tax payable by utilising carbon offsets in respect of an approved project.

The implementation of this tax incentive aims to minimise the impact of the introduction of the carbon tax during its first phase (i.e. from 1 June 2019 to 31 December 2025), thereby ensuring that South Africa's competitiveness is not compromised.

Carbon offsets are administered by National Treasury, in conjunction with the Department of Environment,

Forestry and Fisheries (DEFF) and the Department of Minerals Resources and Energy (DMRE).

The percentage allowance that applies is determined in accordance with the Carbon Tax Act (i.e. by matching the line in the column "Activity/Sector" with the percentage in the corresponding line of the column "Offsets allowance %" in Schedule 2).

A taxpayer's carbon tax liability may be reduced by either 5% or 10% of the taxpayer's total GHG emissions.

South Korea

Corporate income tax

Korean resident corporations are taxed on their worldwide income and the tax base for wind power projects shall be determined basically in the same manner as other types of businesses.

Annual CIT returns must be filed and corporate income tax payable must be paid within three (3) months from the end of the entity's fiscal year (by the first following business day in case the last day of the three (3) months filing/payment period is holiday).

Additionally, local corporate income tax ("LCIT") shall be assessed on the same tax base to that of CIT. LCIT returns shall separately be filed and relevant tax payables should be paid within one (1) month after the due date of the annual CIT return filing and payment.

Tax base

Taxable income is determined from accounting net income after tax reconciliation pursuant to Korean CIT law provisions by adding non-deductible (taxable) items and subtracting deductible (non-taxable) items to/from net income shown on the financial statements.

Applicable tax rates

The following tax rate table summarizes the CIT rates and LCIT rates applicable for the fiscal year starting on or after 1 January 2018.

CIT base bracket	CIT rate	LCIT rate
KRW 200 million or less	10%	1%
Over KRW 200 million up to KRW 20 billion	20%	2%
Over KRW 20 billion up to KRW 300 billion	22%	2.2%
Over KRW 300 billion	25%	2.5%

Tax credits

Korean resident corporations are eligible to claim tax credits for their investments made until the end of 2021 in the energy-saving facilities designated by the Tax Incentive Limitation Law. Such designated facilities include the facilities generating new and renewable energy (e.g. wind energy, solar energy, etc.) and the facilities for the manufacturing of those new and renewable energy generating facilities (i.e., traveling cars for windturbine assembly, synchronous generator testers, assembly testers for

windturbine, assembly testers for rotor hub, 3D measurement machines, and bolting robot for pitch bearing in case of wind power facility manufacturing). The tax credit for investment in energy-saving facilities would be calculated at 1% (3% for Middle-standing Enterprises, 7% for Small and Medium Enterprises ("SMEs")) of the amount of such investments.

Currently, tax credits can mostly be carried forward five (5) years. However, according to the summary of proposed Korean tax law 2021 amendments released in July 2020, the extension of tax carryforward period up to ten (10) years is expected for the investments from 2021.

Tax losses

Net operating tax losses ("NOL") are allowed to be carried forward and utilized up to 60% of taxable income earned during the subsequent ten (10) years, starting from the immediate subsequent business year after the fiscal year the NOL incurred. NOL cannot be carried back.

However, SMEs are eligible to use the tax losses carried forward to offset 100% of taxable income. Also, 'Special carry back' rules enable SMEs to carry back losses to the preceding year.

Depreciation and amortization

Depreciation of all property, plant and equipment ("PP&E") used to generate income is allowed as a deduction for CIT purposes. Interest of borrowing to acquire or construct a long-term asset shall be capitalized unlike interest expenses for any other purpose. Capitalized interest is not expensed immediately when paid, rather increases the cost basis of the related long-term asset and

shows up in installments through periodic depreciation expense recorded on the associated long-term asset over its useful life.

Korean tax law allows the following methods for calculating depreciation:

- Straight-line or declining-balance method for tangible fixed assets, other than plant and buildings.
- Straight-line method for plant, buildings, and intangible assets.

The standard useful lives are also stipulated for each type of fixed assets, and the applicable useful life can be adjusted by ±25% of the standard useful life at the taxpayer's election. The elected depreciation method and useful life should be consistently applied.

Under the Korean tax law, standard useful life of fixed assets used for electricity supplier is 16 years. Therefore, the wind power producers are able to elect any useful life within the useful life range from 12 to 20 years (i.e., 75% to 125% of the standard 16 years). And there is no accelerated depreciation rule for wind power companies under the current Korean tax laws.

Withholding tax

A withholding tax shall be applied to Korean-source income paid by a Korean resident corporation to a non-Korean resident corporation. Preferential tax rate may be granted, or the withholding tax may be exempted under double tax treaties agreed between Korea and the contracting State where the recipient is tax resident.

Withholding tax rates under the Korea domestic rules are as below:

Classification of Korean-source income	Withholding Tax Rate (%)
Dividends	22%
Interests	15.4%(*) or 22%
Royalties	22%
Capital gains	11% (of the payment amount) or 22% (of the capital gain)(**)

(*) 15.4% rate applies if interest arises from bonds issued by a Korean corporation or government bodies.

(**) The withholding tax amount would be calculated as the lessor of 11% of the amount paid or 22% of the capital gains on a transfer of real estate, securities, etc.

The income payer, as the withholding agent, shall pay the tax withheld to the tax office and local government having jurisdiction over that income payer by the 10th day of the following month of the payment (e.g., by 10th of July for the payments in June). Also, annual payment statement thereof should be filed by the end of February in the following year.

Value-Added Tax ("VAT")

VAT is levied on the added value created by a company in each step of the production, supply or distribution process for goods or services. In other words, VAT is determinate by subtracting the input-VAT from output-VAT.

Registration

Based on the Korean VAT law, if an office is a place where employees are stationed ordinarily and conduct all or part of the transactions for business purposes at that place, such office should be registered as a VAT payer within 20 days from the opening date of the business for VAT purposes, and each registered business place, as a VAT payer, should issue and receive VAT invoices under its own business registration number (or "Tax ID Number").

VAT-able transactions

From the VAT perspective, the supply of goods and services can be classified into the following two categories: (i) transactions subject to VAT ("VAT-able transaction"), (ii) VAT exempted transactions. The VAT-able transactions then would be classified into two sub-categories depending on the applicable VAT rates: (i) normal VAT-able transactions subject to 10% VAT rate and (ii) Zero-rate VAT-able transactions subject to 0% VAT rate.

In principal, supply of goods and services and importation of goods subject to 10% of VAT unless the subject goods and services are not falling into VAT exempted goods and services listed specifically under the Korean VAT law. Provision of strictly designated daily necessities such as unprocessed agricultural products and tap water, etc. is VAT exempted.

VAT-able goods include all corporeal things, such as commodities, products, raw materials, machines, and buildings. Manageable natural forces, such as electricity, gas and heat are also included in VAT-able goods. Goods imported into Korea from a foreign country shall also be subject to VAT.

VAT-able services include not only performed services but also granting rights to use anything that has economic value such as mining rights, patent rights, and copyrights.

Zero-rated VAT usually applies to export of VAT-able goods and services. Unlike export of goods, there are some exceptions where 0% VAT rate may not be applicable in case of export of services.

Renewable energy provided by a private corporation is not listed as one of VAT-exempted goods and, thus, will be subject to 10% VAT.

VAT returns

In principle, the taxable period for the VAT purposes is each half-year period which ends on the end of June and the end of December respectively. For each of those half-year periods, the VAT payer must file the final VAT returns and pay the VAT payable amounts within 25 days from each half-year end (i.e., by 25th of July in the current year for the 1st half-year and by 25th of January in the following year for the 2nd half-year of the current year).

For each half-year period, one preliminary VAT return should be filed for the first quarter of the relevant half-year within 25 days from that quarter end and preliminary VAT payable amount thereto should be paid by such filing due.

VAT Refund

To the extent that input-VAT amount exceeds output-VAT amount for certain for each half-year period, the net input-VAT amount after crediting against the output-VAT amount will be claimed as the refundable amount. The VAT refund shall be granted within 30 days after the filing due date for each half-year period.

Property tax

A property tax ranging from 0.07% to 5% is levied on land and buildings for residential and commercial use, vessels, and aircrafts. Land acquired for building a manufacturing plant shall be subject to 0.2% - 0.4% of progressive property tax, however, the land of power production facilities for the development of power resources projects shall be subject to the special flat low tax rate of 0.2%.

Customs duties

Customs duties may be reduced by 50% on machines and materials (including machines and tools used for manufacturing such machines and materials) imported by SMEs by no later than 31 December 2021, to produce and use new energy and renewable energy including wind renewable energy or to improve conditions of connections of electric systems of such new energy and renewable energy. This provision is contingent on the condition that such machines and materials are not produced in Korea. Goods subject to reduced customs duties are specifically listed under the relevant law.

Spain

Corporate Income Tax

Renewable energy entities in Spain are generally subject to Corporate Income Tax ("CIT") on the worldwide income and expenses obtained. CIT general tax rate is 25%.

CIT returns have to be filed within 25 days following the 6-month period after the close of the financial year. Thus, in case a Spanish entity closes its financial year on 31st December, the deadline to file the relevant tax returns is 25th July, which have to be filed electronically through the Spanish tax authorities' webpage.

Additionally, there are three instalment payments to be made within the first twenty calendar days of April, October and December, on account of the final CIT liability.

As a general rule, taxable income shall be determined by making the corresponding adjustments to the net accounting income.

Main adjustments to the taxable base

On the basis of our experience, the most relevant CIT adjustments applicable to renewable energy entities would be the following:

Depreciation

According to the Spanish CIT Law, the accounting depreciation expenses would be deductible for CIT purposes provided that said expenses represent the effective depreciation of such assets, deriving from their normal use.

In this regard, Spanish CIT Law sets forth that the accounting depreciation expense would be deemed as representing the effective depreciation of the assets provided that the depreciation rate used is within the depreciation rates established in the official tax depreciation schedules.

The table below includes the most common renewable energy assets and their depreciation rates:

Concept	Maximum straight-line rate	Maximum period of years
Renewable plants	7%	30
Other plants	5%	40
Substations. Transport-networks and energy grids	5%	40
Other facilities	10%	20
Equipment	12%	18

Spanish CIT Law provides for other depreciation methods for CIT purposes, including accelerated depreciation, which could be tax efficient.

Impairment of assets

Accounting expenses corresponding to the impairment of fixed tangible and intangible assets shall not be deemed deductible for CIT purposes.

Tax deduction of impairment losses on fixed tangible and intangible assets is deferred to the tax year in which the asset is transferred to third parties or due to the winding up of the company.

Earning stripping rules

Spanish CIT Law provides for a general restriction on the deductibility of the net financial expenses incurred by an entity, commonly referred to as the "Earning-Stripping Rules". Under such limitation, the net financial expenses exceeding 30% of the adjusted operating profits of a given tax year are not treated as deductible for CIT purposes. Nevertheless, a minimum net financing expense of EUR 1 M per year is deductible in any case.

It is worth mentioning that the "earning stripping rule" provides for a specific mechanism allowing taxpayers to utilize in future tax periods their interest deductibility capacity against the financial expenses deemed as non-deductible in previous years.

Additionally, the excess of tax deductibility capacity generated in a relevant year can be added up to the 30% limit of the adjusted operating profit of the following 5 years until such excess of capacity is fully absorbed.

Transfer Pricing Rules

According to Article 18 of the Spanish CIT Law, transactions carried out between related entities should be valued according to the arm´s length principle, that is, as if they have been agreed between unrelated parties under normal market conditions.

In this sense, the STA would be entitled to adjust the value applied to transactions carried out between related entities if such transactions have not been valued according to the arm's length principle, on the basis of both the information available to the STA and the information provided to the STA by the taxpayers.

Having said the above, it should be noted that taxpayers are obliged also to prepare and maintain specific transfer pricing documentation, subject to certain thresholds, in order to support that transactions carried out with related parties are performed on an arm's length basis. In this sense, the STA could request this supporting documentation from the taxpayer upon the due date for filing the CIT return of each period.

Tax losses carry-forward

In accordance with the applicable tax legislation, tax losses can be carried forward against future tax profits without any time constraint.

However, the following limitations apply concerning the right to offset the tax losses generated in previous tax periods:

- The maximum general percentage to be offset would be increased up to the 70% of the positive taxable income of the period (irrespective of the entity´s gross turnover), with a minimum amount of EUR 1 million that could be offset each year.

Notwithstanding the above, further restrictions applied to companies with turnover exceeding EUR 20 million in the 12 months prior to the beginning of the relevant fiscal year until FY 2022:

- Companies with turnover ranging from EUR 20 million to EUR 60 million: 50% of the taxable base.

- Companies with turnover exceeding EUR 60 million: 25% of the taxable base.

The Constitutional Court declared these additional restrictions for large companies unconstitutional in its judgement dated February, 2024.

Thus, at the time of preparing this document, the only quantitative threshold that applies is 70% of the positive taxable income of the period with a minimum amount of EUR 1 million.

Nevertheless, given that these additional restrictions for large companies were declared unconstitutional as Royal Decree-Law 3/2016 infringed the substantive limits for this legislative vehicle, these same restrictions are already in the process of being approved. However, it is uncertain whether they will be approved in time to apply to FY 2024 or whether they will apply from FY 2025 onwards.

Value Added Tax

The sale of electricity generated by renewable energy entities is considered as a provision of goods for Spanish VAT purposes, subject to Spanish VAT at 21%.

Tax on the Sale of Electric Power

Tax on the Sale of Electric Power is annually levied on the production of electricity, being the tax rate 7%. This tax is calculated on the total income earned by the sale of energy by the taxpayer from each generating facility.

On the other hand, after several dismissed appeals submitted by power producers claiming the refund of this tax payments on the basis that it is contrary to the Spanish Constitution and EU Law, in February 2019 the High Court of Valencia submitted some preliminary questions to the European Court of Justice on the appropriateness of this tax.

In this regard, the European Court of Justice issued a judgment on March 3,2021 (case C-220/19) stating that this tax does not infringe EU Law. Therefore, it is applicable in Spain.

Local taxes

Business Activity Tax

Business Activity Tax is levied annually on any business activity conducted within the territory of the municipality (e.g. renewable power activity).

It should be noted that there is a full exemption on the tax due for the first two periods for all business activities.

Real Estate Tax

Real Estate Tax ("RET") is a local tax levied annually (on January 1st of each calendar year), for the ownership or the rights over certain real estate assets (e.g. real estate assets within wind parks).

The amount of RET due depends on the municipality in which the real estate is located and is calculated on the basis of the official value assigned to the property (the so-called 'cadastral value'), including the value of the land and buildings.

The RET rates applicable to the cadastral value in order to calculate the tax due range between 0.4% and 1.3%.

Tax on construction, installations and building works

Under Spanish Tax Law, the construction, installation and building works within a municipality where a license is required is a taxable event for the purposes of Tax on construction, installations and building works (in Spanish, "ICIO").

The taxable base is formed by the cost of the construction, installation or worksite.

In the case of wind projects, in 2010 the Spanish Supreme Court issued a judgement by stating that the taxable base includes the cost of the installed equipment as it is essential for the project.

The applicable tax rate depends on the municipality where the works are carried out with a maximum rate of 4%.

Environmental taxes

The Autonomous Communities are entitled to set their own environmental taxes.

Thus, in the case of carrying out a renewable energy project, the legislation of the Autonomous Community in which the project is carried out should be followed in order to determine whether there is an environmental tax and its characteristics.

Sweden

Corporate Income Tax

Swedish tax resident corporate entities are subject to corporate income tax at the rate of 21.4% on its worldwide income (for fiscal years commencing 2021 and onwards the corporate tax rate is 20.6%). There are no local or municipal taxes on business income and companies are not subject to net wealth tax. There is no transfer tax, stamp duty or similar tax on the transfer of shares. Social security contributions are normally also levied for employers.

A company is resident in Sweden if it is registered with the Swedish Companies Registration Office (Sw: Bolagsverket). Sweden does not apply the so called effective management principle to determine the tax residency of a company under domestic law.

The taxable result is calculated per financial year and should be reported in an annual corporate tax return. Swedish GAAP normally forms the basis for the calculation of the taxable result. However, there are specific tax rules that govern the tax treatment of certain income and costs (e.g. the deductibility of interest, tax depreciations etc.) which means the taxable result may deviate from the accounts.

Consolidated balance sheets are not recognized for tax purposes (no full tax consolidation). However, Swedish tax law allows shifting of income through "group contributions", a form of group relief, provided certain criteria are fulfilled. The group contribution regime basically enables companies within a group to offset profits against losses.

Participation exemption

Under the Swedish participation exemption, dividends and capital gains on business-related shares are generally tax exempt and capital losses on such shares non tax deductible. For a holding of shares to qualify as business-related several requirements need to be fulfilled. A shareholding in an unquoted Swedish limited liability company normally qualifies for example.

Depreciation

When doing investments on a property the costs should normally be activated for tax purposes either as machinery and equipment, land, land improvements or buildings. It may also be possible to directly deduct certain costs for tax purposes. Wind turbines are normally classified as machinery and equipment under Swedish tax depreciation rules but certain costs may also be related to land improvements and buildings.

Machinery and equipment and acquired types of intangible assets with limited economic

life are normally depreciated by the declining-balance method, the maximum depreciation allowance being 30% – or the straight-line method at 20% per annum. Under these methods there must be a correspondence between the depreciations in the accounts and for tax purposes. Hence, where the depreciation rate in the accounts is less than the depreciation under the declining-balance method, the difference is booked in the accounts as an untaxed reserve called "depreciation in excess of plan". It is also allowed to use a tax declining balance method at 25% per year. Under this method there is no requirement regarding corresponding accounts. Please note that there are no minimum depreciation rates that must be used.

Land improvements may maximally be depreciated at a rate of 5% annually, while certain rural road construction may be depreciated at an annual rate of 10%. Buildings are depreciated with between 2-5% per year. Land may not be depreciated.

It should be noted that it is not allowed for tax purposes to capitalize interest expenses over the acquisition costs for machinery and equipment, buildings, or land improvements.

Interest deduction limitation regimes

There are multiple tax rules to consider when determining the deductibility of interest expenses in Sweden.

Interest deduction may only be obtained to the extent that the interest expenses are in line with the arm's length principle. In this context, it may be noted that the OECD has recently updated their transfer pricing guidelines and is now implying that debt may be reclassified as equity for tax purposes under certain conditions. The Swedish tax agency generally follows OECD guidelines.

Tax deduction of arm's length interest expenses may nevertheless be denied under the Swedish interest deduction limitation regimes.

Under the Swedish intra-group interest deduction limitation regime, interest expenses on loans from affiliated parties are in principle non-deductible unless the beneficial owner of the interest income (corresponding to the Swedish company's interest expenses):

- has its tax residence in a jurisdiction within the EEA;
- has its tax residence in a jurisdiction that has concluded a full scope tax treaty with Sweden and the beneficial owner is entitled to enjoy the treaty benefits; or
- is subject to a 10% hypothetical taxation on the interest income.

If the beneficial owner of the interest income meets at least one of these criteria, it must further be demonstrated that the debt relationship was not established almost exclusively (90-95%) for the purpose of obtaining a significant tax benefit for the group (the "principle purpose test"). An additional test applies if the debt was established as funding for acquisition of shares. Under this test, the taxpayer must further be able to be demonstrated that the share acquisition was made by business reasons (in contrary to tax reasons).

There are also specific restrictions on tax deduction for certain arrangements that are deemed to be hybrids from a Swedish tax perspective.

Apart from the above regimes there is a general interest deduction limitation that applies for all companies with a negative interest net as defined under Swedish tax law. Under the general interest deduction limitation regime, interest expenses are fully tax deductible to the extent that the company has corresponding interest income. Net interest expenses are, on the other hand, only deductible up to an amount equal to 30% of the company's tax EBITDA. There is no group escape rule and the only alternative is the safe harbor rule allowing for a tax deduction of up to SEK 5 million of negative net interest on a group-level per fiscal year. The EBITDA threshold and the safe harbor rule cannot be combined meaning that the cap is SEK 5 million if the safe harbor rules are applied.

Non-deductible interest may be carried forward and be deducted against a future fiscal year's excess interest deduction headroom. Any interest carried forward not deducted within six years is forfeited. All non-deductible interest carried forward is also forfeited upon a change of ownership directly or indirectly.

It should be stressed that the tax definition of interest is relatively wide and may encompass a wide range of costs incurred for the purpose of raising debt financing.

Withholding tax

Under the main rule Sweden levies a withholding tax at 30% on outbound dividends. There are, however, exemptions available under domestic law and the WHT may also be eliminated or reduced under applicable tax treaties. Sweden has implemented the anti-avoidance rules suggested by the EU parent-subsidiary directive as of 1 January 2016 and there is also a pending proposal on changes in tax law regarding WHT. There is no WHT levied on interest payments.

Transfer Pricing Rules

Intra-group transactions, including interest levied on intra-group loans, should be valued at arm's length. Certain documentation requirements have existed since 1 January 2007 for cross-border transactions between affiliated companies.

Under Swedish tax legislation, there are no direct sanctions if the documentation requirement is not fulfilled. However, in case the pricing is challenged by the Swedish Tax Agency, lack of documentation entails that the burden of proof as to the arm's length pricing of the transactions is shifted to the taxpayer and may impact tax surcharges.

Tax losses carry-forward

Tax losses can generally be carried forward indefinitely and be offset against taxable profits subsequent years. Carry back of losses is not allowed. There are specific restrictions on the utilization of tax losses by companies when a "change of ownership" has taken place, directly or indirectly, as defined under Swedish tax law. The purpose of these restrictions is to prevent trading in companies having tax losses. The losses may both be forfeited or restricted under these limitation rules.

There are no provisions for a carry-back of tax losses.

Public subsidies

Under certain circumstances public subsidies may be granted to e.g. limited liability companies (Sw. Näringsbidrag). Public subsidies, in case applicable, should be treated as a fully taxable income as any other income if it is connected to a direct expense.

If the subsidy is used to acquire an asset that will be depreciated through annual depreciations, the assets cost of acquisition should instead be reduced correspondingly. This will be the case if it is used to build the wind turbine, which means that the subsidies will decrease the wind turbines acquisition cost and therefore also the depreciation base.

There are also specific COVID-19 subsidies available for different taxpayers.

Property Tax

Wind farms are subject to real estate tax and are thus also assessed from a tax assessment value perspective. The tax base for real estate tax is an assessed tax value that should reflect approximately 75% of the fair market value of the assets in question. The assessment is made by the Swedish Tax Agency every sixth year for industrial properties and power generation units such as wind mills. The Swedish Tax Agency basically uses actual prices on historical transactions in a geographical area to calculate the average price two years before the calculation is made and use 75% of this average price as tax base.

For wind mills the tax assessment value is calculated using a standardized method that

considers the value of the wind mill, installed gross effect, age, profitability etc. The method is used to ensure that the tax base for the wind mill is as close to 75% of its fair market value as possible.

The statutory tax rate is 0.2% of the turbine's assessed property tax value. The rate applicable to other types of power plants is 0.5%. The Administrative Supreme Court has in a ruling from April 2019 concluded that applying a lower tax rate to wind turbines constitutes unlawful state aid. In brief, the court held that the property tax should be levied based on the 0.5% rate, if using a 0.2% rate means that the EU de minimis aid threshold is exceeded. According to the EU rules, state aid must not exceed EUR 200,000 for a three-year period. The threshold should be used on a group level, if applicable.

Property tax is defined as a special tax and should be deductible as an operating cost in the business.

Value Added Tax

The sale of electricity generated by wind power turbines is considered as a provision of goods for Swedish VAT purposes and is subject to a VAT rate of 25%.

Energy tax

Electricity produced in Sweden is subject to energy tax. However, a producer is only obligated to charge tax on electricity when they deliver electricity to consumers who are not registered for energy tax on electricity. E.g. if a supplier purchases electricity from a producer and delivers it to a consumer, the supplier is liable for the tax and not the producer. The standard tax rate is 0.353 SEK/kWh.

However, in the following areas in the northern Sweden it may be reduced by 0,096 SEK/kWh:

- Norrbotten County: All municipalities.
- Västerbotten County: All municipalities.
- Jämtland County: All municipalities.
- Västernorrland County: Sollefteå, Ånge, Örnsköldsvik.
- Gävleborg County: Ljusdal.
- Dalarna County: Malung-Sälen, Mora, Orsa, Älvdalen.
- Värmland County: Torsby.

But here, in order to obtain the tax exemption, the electricity must not be consumed for the following purpose:

- Industrial activity
- Computer hall
- Professional farming or forestry activities
- Professional aquaculture activities
- Trains or other means of rail transport
- Cold ironing "Landström"

Taiwan

Corporate Income Tax

In Taiwan, wind farm operators usually set up a company to hold the wind farm assets. Taiwan companies are subject to corporate income tax on the income derived world-wide. If companies have generated taxable income over TWD 120,000 in a financial year, their total taxable income will be taxed at the rate of 20%.

Taxable income is computed by revenue less costs and deductible expenses and losses. In general, expenses and losses are deductible for corporate income tax purpose to the extent that they are necessary and related to companies' business operation. Key deduction items for wind power companies could include:

- Interest paid on project financing;
- Depreciation on the depreciable project assets;
- Professional service fees incurred with respect to carrying out business operation.

In the event where wind power companies incurred loss in a financial year, such loss could be carried forward for a 10-year period, provided that certain criteria is met, i.e. the company must file corporate income tax return on time, maintain a complete set of accounting books, and has its tax return certified by a certified public accountant (for the year which loss is incurred as well as the years which the loss is utilized).

Withholding Tax

Taiwan companies are required to make withholding on certain payments that are within the scope of withholding tax. The applicable withholding rate will differ depending on the nature of the payment (dividend, interest, salary, etc.) and the status of the recipient (resident or non-resident, company or individual).

For wind farm companies, the common types of payment that are subject to withholding and their respective withholding rate are as follows:

- Payroll (generally 5% for resident and 18% for non-resident);
- Interest paid to domestic non-banking institutions (10%);
- Commission, royalty or service fee paid to offshore supplier (20%);
- Dividend paid to offshore shareholder (21%).

Business Tax

Business tax is imposed on sale of goods or services in Taiwan and import of goods. Basically, for general business entities, including wind power companies, are subject to VAT. The current VAT rate is 5%.

Under the VAT system, unless excluded under the Business Tax Act, input VAT incurred by business entities from purchase of goods and services can be used to offset against output VAT generated from their business operation. The difference will be the payable/overpaid VAT. Overpaid VAT should be carried forward and be used to credit against future payable VAT but could be refunded under certain circumstances (e.g. overpaid VAT is related to acquisition of fixed assets).

VAT return should be filed on a bi-monthly basis before the 15th day of every odd month. For instance, the VAT return for January and February should be filed by 15th March.

In addition, business entities should issue "government uniform invoice" to the purchasers on sale of goods and services according to the time stipulated in the Business Tax Act.

Special Tax Incentive for Wind Power Investment

Customs Duty Exemption on Import of Specific Goods Related to Renewable Energy

According to the Renewable Energy Development Act ("REDA"), if a company imports machine, equipment, specific construction vehicle, training gear, and relevant parts/components for the purpose of constructing or operating renewable energy generation facilities, and currently such goods are not manufactured and supplied domestically, after obtaining certificate from the Bureau of Energy ("BOE"), the import of such goods could be exempted from customs duty.

After obtaining approval from the BOE, upon importation, companies will have to provide the Customs with the BOE certificate to prove that the goods meet the requirements set forth in the REDA.

Tax Exemption on Royalty and Technical Service Fee Paid to Offshore Suppliers

In the case where a foreign patent owner licenses a Taiwan wind power company to use its patent, if such patent has met the requirements set forth in the Income Tax Act ("ITA") and relevant tax rules, i.e. the licensing arrangement could substantially introduce new technologies which are currently not available in Taiwan or the technologies are domestically available but could not satisfy the needs of the Taiwan wind power company, and have been certified by the Industrial Development Bureau ("IDB"), the royalties derived by the foreign patent owner could be exempted from Taiwan corporate income tax.

Further, under the ITA, if a Taiwan wind power company acquires technical services, i.e. construction planning, basic/detail construction design, and design of machine/equipment, from offshore service providers for the purpose of constructing power plants and has obtained certificate from the BOE, the technical service fees derived by the offshore service providers could also be exempted from Taiwan corporate income tax.

In general, royalties and technical service fees derived by offshore suppliers would be subject to withholding in Taiwan. To mitigate the withholding tax implication, offshore suppliers could first seek for certificate from the IDB/BOE, and subsequently, file application with the National Taxation Bureau ("NTB"). The NTB will further review and make assessment on whether royalties/service fees derived by foreign suppliers could be eligible to the foregoing tax exemptions.

Tax Exemption and Reduction on Withholding tax for Cross-Border Service Fee

Besides the aforementioned tax incentives, there are also other regimes that are available to reduce the withholding tax burden for services remuneration paid to foreign companies for providing cross-border services to Taiwan companies.

In the case where the company that provides foreign services to Taiwan is a tax resident of a country that signed a tax treaty with Taiwan, the foreign company can seek to apply for tax exemption treatment provided under the business profits article in accordance with the provisions of double tax treaties. To be entitled to such benefits, pre-approval from competent tax authorities is required, and a retroactive claim within 5 years from the date of WHT is paid is applicable once approved. To date, Taiwan has signed agreements with 34 countries, in particular European countries such as the UK, Germany, the Netherlands, Denmark and other Asian countries such as Japan, Singapore, Malaysia, Australia, and India.

In addition, if the foreign company is located in a non-tax treaty country, but the service provided is regarded as "technical services", the foreign company can consider applying for Article 25 of the Income Tax Act. Upon obtaining pre-approval from tax authorities, the taxable income of the company is deemed as 15% of revenue derived in Taiwan, indicating the effective tax rate applicable is now reduced to 3%. Companies can also seek refund for paid WHT after approval.

Thailand

Corporate income tax

A juristic company or partnership incorporated in Thailand is subject to corporate income tax (CIT) rate assessed on its taxable profits derived from worldwide income. The CIT rate in Thailand is 20 percent. A reduced CIT rate is available for small and medium enterprises (SMEs), which are entities with paid-up capital not more than THB 5 million and earning total revenues from the sale of goods and provision of services not exceeding THB 30 million in each accounting year.

The tax system in Thailand is a self-assessment system, which requires a taxpayer to submit its tax returns to the Revenue Department, along with any tax payment due, in accordance with the provisions of the Revenue Code.

CIT returns and payments are made twice each year. A mid-year CIT return must be filed within two months after the end of the first six months of an accounting period. The mid-year CIT due is computed on one-half of the estimated net taxable profit for the full accounting period, except for certain companies, such as listed companies and financial institutions, that must calculate determine the tax liability on the actual net taxable profits for the first six months of the accounting period. The annual CIT return must be filed within 150 days after the end of an accounting period.

The due dates for all tax return filings and payments is extended by eight days if the taxpayer electronically files its tax returns.

Tax and non-tax incentives

The Board of Investment (BOI) grants tax and non-tax incentives to promote investments in renewable energy in Thailand. A BOI certificate is granted on a project-by-project basis; therefore, it is possible for a Thai company to hold multiple BOI certificates with different start and expiration dates. In such case, the taxpayer would be required to calculate profits on a project-by-project basis until expiration of the tax incentives.

Standard tax incentives

A company that obtains an investment promotion from the BOI should be entitled to tax privileges under the Investment Promotion Act. The tax incentives available for a company that produces electricity from wind energy include:

- Exemption of import duties on machinery;
- Exemption of import duties on raw materials used in R&D;
- Exemption of import duties on raw materials used in production for export; and

- CIT exemption and additional deductions:
    - Net profits generated from the promoted business activity exempt for CIT, with the CIT incentive expiring at the earlier of (1) eight years or (2) realizing CIT exemption benefits that reach the amount of investment (excluding the value of land and working capital) made in the promoted business activity;
    - Exemption from withholding tax deducted from dividends paid to shareholders that are (1) traced to profits generated from CIT exempt income, and (2) paid while the BOI tax incentive is valid;
    - Double deduction from the costs of transportation, electricity, and water supply; and
    - Additional 25 percent deduction of the cost of installation or construction of facilities.

Additional tax incentives

Additional tax incentives can be obtained through merit-based investments. Applicable to wind-power electricity producers are merit-based incentives for (1) competitiveness and enhancement investments or expenditures, and (2) decentralization investments.

A company that already has a BOI certificate can increase its tax exemption period from one to five additional years through "competitiveness and enhancement" investments or expenditures. The extension of the tax exemption period would depend on the ratio of investment capital or expenditures to total sales in the first three years of the project.

The types of investments or expenditures eligible for additional incentives include:

- R&D of technology and innovation;
- Donations to technology and personnel development funds, educational institutions, specialized training centers in science and technology;
- Training or job training to develop skills in technology, and innovation for students studying science and technology;
- Licensing fees for commercialized technologies developed in Thailand;
- Advanced technology trainings;
- Development of local suppliers of raw materials or parts; and
- Product and packaging designs.

Qualifying "decentralization" investments can provide the taxpayer a reduction of the CIT rate by 50 percent for five years after expiration of the tax exemption period.

A merit-based incentive for decentralization investments requires the project to be operated in one of 20 provinces with the lowest per capita income, which are Amnat Charoen, Bueng Kan, Buri Ram, Chaiyaphum, Kalasin, Mae Hong Son, Maha Sarakham, Mukdahan, Nakhon Phanom, Nan, Nong Bua Lamphu, Phrae, Roi Et, Sa Kaew, Sakhon Nakhon, Si Sa Ket, Sukhothai, Surin, Ubon Ratchatani, and Yasothon, but excluding border provinces in Southern Thailand and Special Economic Zones which have separate special incentive packages.

Tax incentives for enhancement measures

With the goal of enhancing competitiveness for manufacturing and service sectors, the BOI offers productivity enhancement measures, namely:

- Measure to improve the efficiency of energy conservation, alternative energy utilization or environmental impact mitigation;
- Measure to promote improvement in efficiency by upgrading and replacing machinery, such as implementation of robots and automation systems;
- Measure to improve the efficiency of research and development or engineering design;
- Measure to improve the efficiency of upgrading a production line to acquire international sustainability certification;
- Efficiency enhancement measure for digital technology adoption; and
- Supporting Industry 4.0 transformation, which is one of the government's initiatives to enhancement production lines.

An application must be filed with the BOI by the last working day of 2022 to qualify for these enhancement measures.

Additional capital investment of at least THB 1 million is required for the enhancement measures. A successful applicant can receive an extension of the tax exemption period; the extension period and maximum tax incentive will vary according to the measures.

Non-tax incentives

Non-tax incentives provided through the BOI include:

- Permission for up to 100 percent foreign ownership;
- Permission to own land;
- Permission to bring into Thailand skilled workers and experts to work in investment promoted activities;
- Permission for foreign nationals to enter the Kingdom for the purpose of studying investment opportunities; and
- Permit to take out or remit money abroad in foreign currency.

Depreciation rules

Capital expenditures or expenses for the addition, change, expansion, or improvement of an asset, but not for repair to maintain its present condition, are regarded as fixed asset cost that can be depreciated annually at the rate not exceeding the allowable rate of the Revenue Department.

The depreciation rates are varied depending on the categories of properties, as follows:

Type of Assets	Statutory Annual Depreciation Rates
1) Buildings - Permanent buildings - Temporary buildings	 5 percent 100 percent
2) Cost for acquisition of depletable natural resources	5 percent

Type of Assets	Statutory Annual Depreciation Rates
3) Cost of acquisition of leasehold rights - Without a written lease agreement or with a written lease agreement that provides for renewal of the lease whereby the renewal condition allows the renewals of indefinite period - With a written lease agreement that does not provide for renewal of the lease or that provides for renewal for a definite period	10 percent 100 percent divided by the total number of years of the lease term plus renewable period
4) Cost for acquisition of right in process, formulae, goodwill, trademark, business license, patent, copyright, or other right - In case of indefinite term of use - In case of definite term of use	10 percent 100 percent divided by the number of years of usage
5) Other properties, which by their nature, can deteriorate or depreciate in value, other than land and goods	20 percent

The straight-line basis is the most commonly method of depreciation in Thailand, but any generally accepted accounting method is permitted.

Tax losses

A taxpayer's net taxable loss can be carried forward to offset future taxable profits incurred over the five succeeding accounting periods. There is no provision for a loss carry-back in Thailand.

Taxable losses incurred during the BOI CIT exemption period can be used to reduce taxable income for up to five accounting periods after expiration of the CIT exemption period.

Tax credits

Thai CIT that has been withheld at source, and the mid-year tax paid by the taxpayer, are creditable against the tax due as calculated in the annual CIT return of the relevant accounting period.

In calculating a taxpayer's CIT liability, the taxpayer can claim a credit for foreign tax paid on its income that is also subject to Thai CIT. The foreign tax credit must not exceed the amount of Thai CIT payable assessable on the revenue derived from the business operation in the country where the foreign tax was paid.

Withholding taxes

A company is required to withhold tax at source upon paying certain types of assessable income. The withholding tax (WHT) obligations and WHT rates depend on the types of assessable income, whether the recipient is a legal entity or individual, and the tax residency of the income recipient.

Generally, WHT is deductible from payments made to Thai and non-Thai suppliers of services, and employees of the Thai taxpayer.

Remittance of certain types of assessable income to foreign companies not carrying on business in Thailand, broadly, are subject

to WHT at the rate of 15 percent, except for dividend, which is subject to 10 percent WHT. Tax relief from WHT may be provided through the 61 double tax treaties in force with Thailand. WHT for dividend payments to shareholders can be exempt if the dividends are paid during a BOI tax exemption period, and the dividends are sourced to profits generated from the BOI promoted business activity that benefitted from CIT exemption.

Transfer pricing

All transactions must be carried out at the market price.

The Revenue Code has been amended to include rules for transfer pricing. The Revenue Code requires taxpayer to follow the arm's length principle when pricing related party transactions.

Transfer pricing rules require a Thai taxpayer with more than THB 200 million of revenues in a year to disclose all related parties and all transactions made with any related party. This transfer pricing disclosure is included in the annual CIT return. The taxpayer is required to maintain full transfer pricing documentation, and to provide the documentation to the Revenue Department if requested during a tax audit.

Value added tax

The statutory VAT rate in Thailand is 10 percent, but reduced to 7 percent through 30 September 2023. A 0 percent VAT rate is applied to following circumstances:

- Export of goods;
- Service provided in Thailand, but totally used in a foreign country; and
- Sales of goods and services between bonded warehouses or between enterprises located in a duty-free zone.

The supply of electricity is regarded as sales of goods which is subject to VAT.

A windfarm operator is required to register as a VAT operator once it has annual turnover from sales of goods or provision of services over THB 1.8 million. During the start-up period, an operator can choose to register for Thai VAT before it begins to generate revenue.

Payment of service fees to non-resident suppliers, and where the services are used in Thailand, are subject to VAT on a reverse charge basis. The Thai taxpayer, in this situation, is liable to pay VAT on behalf of the non-resident suppliers.

Importation of goods are also subject to VAT when the goods clear Thai Customs. The taxpayer will be required to pay import VAT and import duties directly to the Thai Customs Department.

Input VAT is creditable against a VAT operator's output VAT on each month's VAT return required to be filed with the Revenue Department. Input VAT is VAT paid on expenditures directly related to the operator's VAT business. Output VAT is VAT charged to customers for the supply of goods and services.

The VAT operator is required to file a monthly VAT return, and remit a tax payment to the Thai Revenue if the output VAT exceeds the input VAT. An excessive input VAT balance is eligible for a refund or can carried forward to credit future output VAT.

Turkey

What are the opportunities offered by the Incentive System for investments in "Solar Panels" and "Wind Turbines"?

1. General Rules of Incentives

The Turkish investment incentive system is regulated by Decrees No. 2012/3305 and 2016/9495 issued by the Council of Ministers. The first one is the Decision on State Aids in Investments and the second one is the Decision on Supporting Project-Based Investments.

Incentive legislation supports investments in electricity generation from solar and wind, as well as investments in the manufacturing of solar panels and wind turbines.

2. Type of Investment

Depending on whether licensed or unlicensed, general or regional incentives are provided for investments in electricity generation from solar and wind.

Investments in electricity generation from solar and wind within the scope of licensed activity are only exempt from VAT and Customs duty within the scope of general incentives.

Solar and wind electricity generation investments in the 1st, 2nd, and 3rd regions within the scope of unlicensed activities, provided that they are limited to the contract power in the connection agreement, benefit from the incentives of the 4th region without interest or profit share support; investments in the 4th, 5th, and 6th regions benefit from the incentives of the region in which they are located.

Solar panel manufacturing-Light-sensitive semiconductor assemblies (including photovoltaic cells, whether or not assembled into a module or arranged in panels); solar cells (solar), photodiodes, phototransist and tribune manufacturing investments used in wind energy production are within the scope of priority investment. Investments within the scope of priority sector investments (for all regions except 6th region) benefit from 5th region supports.

In addition to the above, solar panel production and tribune manufacturing investments are also incentivized as project-based investments depending on the scale of the investment and the need.

3. Conditions (Investments in Solar and Wind Electricity Generation)

The minimum investment amount for solar and wind energy based electricity generation plant investments is 3 Million TL.

Investments for electricity generation from solar energy within the scope of unlicensed activity must be completely new.

Within the scope of unlicensed activity, solar panels and solar panel carrier construction systems to be procured from abroad and solar panels produced using solar cells produced domestically before the production process starts at or before the ingot slicing stage are not accepted as investment expenditures in solar energy-based electricity generation investments.

Within the scope of unlicensed activity and provided that it is limited to the contract power in the connection agreement, tribunes and towers produced abroad are not considered as investment expenditures in wind energy-based electricity generation investments. In addition, as of 1.1.2026, generators produced abroad and nacelles whose generators are produced and supplied abroad will also be excluded from the scope of investment expenditure.

4. **The incentives provided for investments in electricity generation within the scope of licensed activities are as follows.**

   - Exemption from VAT,
   - Exemption from Customs Duties,

5. The investments provided for investmens in electricity generation within the scope of licensed activities are as follows:

   - Exemption from VAT,
   - Exemption from Customs Duties,
   - Allocation of Investment Sites
   - 6 years of support for the Employer's Share of Insurance Premiums,
   - 30% Investment Contribution Rate and 70% Tax Reduction,

6. **Priority Investment Incentives for the manufacture of Natural Energy Producing Components are as follows.**

   - Exemption from VAT,
   - Exemption from Customs Duties,
   - 7 years of support for the employer's share of insurance premiums,
   - 40% investment contribution rate and 80% tax reduction,
   - Interest subsidies up to 1,400 thousand TL.
   - Allocation of Investment Sites

Taxation of solar and wind energy

In addition to the tax advantages arising from the incentive, normal taxation provisions apply to unlicensed solar and wind energy. We can summarize this as follows.

- The normal corporate tax rate will be taken into account, except for the discounted corporate tax due to the incentive.
- They will use general income tax rates, except for incentive-based income tax exemptions.
- Likewise, normal VAT rates will be taken into account except for incentive-based VAT exemptions.

For detailed information on Turkey's current tax system, please see the "Investment in Turkey 2024 report": https://assets.kpmg.com/content/dam/kpmg/tr/pdf/2024/11/Investment%20in%20T%C3%BCrkiye%202024..pdf.

Uganda

Corporate income tax

Companies in Uganda are subject to income tax rate of 30%.

The taxable income of the company includes operating income from the wind farm, less allowable tax deductions such as repair and minor capital equipment expenditure, wear and tear of plant & equipment, initial allowance for eligible property placed into service for the first time during a year of income, industrial building deduction, 25% of the start-up costs among other allowable business expenses.

Tax adjusted losses are carried forward to the subsequent years of income and considered as an allowable deduction.

Any tax that has been withheld is used to reduce the tax payable for the year of income. Where there are foreign tax credits, the amount of tax credit allowed shall not exceed the Ugandan income tax rate.

Branch repatriated Profits.

In addition to the 30% corporate tax, where the company is registered as a branch, it will pay an additional 15% as tax on the branch repatriated profits for a year of income.

Withholding tax obligation.

The company is required to withhold 6% on any payment made for professional services.

Where the company is a gazetted withholding tax agent by notice issued by the Ministry of Finance, it is required to withhold tax at 6% on payments made for supply of goods and services where the consideration exceeds 1 million Ugandan shillings (USD 263.16).

The company is also required to account for and remit the withheld tax to Uganda Revenue Authority monthly by the 15th day of the month following the month when payment was made.

Exit implications

The tax implications on exit will arise where the company decides to dispose off its assets and the consideration received for the assets exceeds the cost base of the assets disposed off. Where the consideration exceeds the cost, the company would be required to pay 30% as tax on the gain on the disposal.

Capital gains is included as gross income in the corporate income tax return for the year of income in which the disposal takes place. In case of a loss on disposal, the company will be allowed the loss as a deduction if such is included in the gross income in the year of income in which the disposal occurred.

The company will not have to pay tax on a gain arising out of a disposal of its assets if such a disposal was involuntary and the proceeds from the disposal are reinvested in an asset of a like kind within one year of the disposal.

Value Added Tax (VAT)

VAT registration

The supply of wind power is not exempt from VAT and therefore will attract VAT at a rate of 18%. This is to be declared in the monthly VAT returns by the 15th day of the month following the month in which the supply relates.

An entity making taxable supplies is required to be registered for VAT within 25 days of the end of any period of three calendar months if;

- During that period the person made taxable supplies, the value of which exclusive of any tax exceeded one-quarter of the annual registration threshold of UGX 150m (USD 39,473.68) or
- At the beginning of any period of three calendar months where there are reasonable grounds to expect that the total value exclusive of any tax of taxable supplies to be made by the person during that period will exceed one-quarter of the annual registration threshold of UGX 150m (USD 39,473.68).

Exemption of supply to contractor and subcontractor of wind power projects

A supply of goods and services to the contractors and sub-contractors of a Wind energy Project is exempt from VAT. Please not that in practice, the supplier is required to obtain a confirmation from the tax authority in form a private ruling confirming the exemption status.

VAT on imported services

Where the company imports services, it will be required to account for VAT on imported services at a rate of 18%. VAT on imported services is not claimable and is a cost to the company

Recovery of input tax credits

Where the company is VAT registered, it is entitled to claim input tax credit for all taxable supplies made to it during the tax period including imports of goods. The company can also claim input tax credit for all goods and imports supplied to it prior to being registered provided the import or supply occurred 6months prior to date of VAT registration.

The VAT registered person is not entitled to claim any input tax in respect of a taxable supply for entertainment, repairs of passenger automobile or telephone services to the extent of 10%.

Customs taxes

Import duty will be payable by a Wind Power Operator on importation of goods that are not exempted under the 5th Schedule of the East African Community Customs Management Act.

This duty is computed on the ad valorem value of the goods as determined using the methods in 4th Schedule to the East African Community Customs Management Act. The import duty rate depends on the item being imported.

Stamp Duty

Lease of land

Where the company leases land to set up the wind power plant, it will be liable to pay stamp duty of 1% of the total value of land. This will be payable upon execution of a lease instrument.

Transfer of shares

Stamp duty of 1% of the total value of shares transferred will be payable upon execution of a share transfer instrument.

Stamp duty at a rate of 0.5% is also applicable on the issue and increase of share capital.

Ukraine

Corporate Income Tax

The standard CIT rate is 18%.

The Corporate Income Tax (CIT) is payable from the pre-tax financial result determined under the accounting rules (Ukrainian National Accounting Standards or International Financial Reporting Standards) and adjusted by book-to-tax differences.

The main book-to-tax differences include:

- **Tax depreciation and amortisation:** In many aspects, the computation of tax depreciation and amortization is aligned with the computation of accounting depreciation and amortization. The main limitations include:
  - Minimum period of useful life (from 2 years (for computers and similar electronic devices) to 20 years (for real estate))
  - Minimum value (assets below UAH20,000 are not considered as fixed for tax purposes)
  - Business nature ('non-business' assets should not be deprecited for CIT purposes)

In addition, there are special rules on accelerated depreciation provided for new fixed assets (equipment, transport, transmission devices and other devices) put into operation in 2020-2030 that are not leased/ aimed for sale. For such types of assets lower periods of useful life (2 or 5 years) could be applied for tax purpose irrespective of the period applied for accounting purposes

- **Tax provisions:** Any provisions (except for those related to payments to employees) should be eliminated for CIT purposes. Additionally, the bad debts could be deducted only in certain circumstances (the debtor is a bankrupt, liquidated, the statute limitation is expired, etc.)

- **Transactions with 'low-tax' non-residents:** There is a limitation for transactions (both sale and purchase) with non-residents (i) registered in low-tax jurisdictions, or (ii) registered under the legal forms that are tax transparent in the relevant jurisdictions. The pre-tax financial result should be adjusted by 30% of the transaction amount. Such tax adjustment could not be applied in case (i) the transactions with a non-resident are controlled, or (ii) a taxpayer prepares and maintains supporting transfer pricing documentation (without submission of relevant report on controlled transactions) proving the market level of pricing of underlying transactions.

- **'Thin capitalisation' rules:** Tax deductibility of accrued interest payable to a non-resident lender is limited to 30% of 'tax' EBITDA (CIT object increased by tax depreciation and financial expenses), provided that the debt to equity ratio exceeds 3.5:1.

A portion of a loan interest that is not tax deductible due to thin capitalisation limitation can be carried forward and be tax deductible in the future tax periods if and to the extent thin cap requirements are met in these future tax periods. The carried forward interest expense is reduced by 5% on an annual basis.

The interest capitalised to the value of 'qualifying asset' under the accounting rules should be accounted for separately and considered in this book-to-tax difference in periods of associated depreciation accrual.

- Tax losses: There are no time or amount limitations for tax losses to be carried forward in the following tax (reporting) periods for the taxpayers other than large taxpayers.

The losses of 'large taxpayers' could be carried forward in the amount of no more than 50% of the unsettled tax of previous tax years. Unsettled tax losses are tax losses of previous tax years, which has not been repaid by the positive value of the CIT object of the tax year.

Corporate taxpayers are required to submit tax returns quarterly and apply the above book-to-tax adjustments in case their total income exceeds UAH40 million. In other case, the taxpayers should submit annual tax returns and voluntary decide whether to apply the book-to-tax differences.

CIT payers should adhere to the following declaration and payment deadlines:

- Quarterly taxpayers are required to submit the CIT return within 40 calendar days after the end of each quarter, and within 60 calendar days for the reporting year.

- Annual taxpayers should submit the declaration within 60 calendar days after the end of the year.

All taxpayers are given 10 calendar days after the final declaration submission deadline to pay the corporate income tax.

Value added tax

VAT payers include entities engaged in or planning to engage in business activities and who register voluntarily, as well as those who are registered or required to register as VAT payer. Mandatory registration as a VAT payer occurs if the volume of taxable transactions exceeds UAH1 million over the last 12 months.

The taxable transactions include the supply of goods and services within Ukraine's customs territory, the import of goods into Ukraine, and the export of goods outside Ukraine. The place of supply is determined as follows: (i) for goods or services related to assets - by the actual location of the goods/ assets, (ii) for certain types of services (consulting, IT, engineering, advesrisement, staff loan, etc.) - by the recipient's registration location, (iii) for other services - by the provider's registration location.

The date of tax liability arises from the date of funds receipt or the date of goods/services dispatch, whichever occurs first. The tax base

is determined based on the contractual value of goods/services, including national taxes and fees, but not lower than (i) for produced goods/ services – their 'usual' (market) price, (ii) for purchased goods/ services – their purchase price, (iii) for fixed assets – their accounting residual value

VAT rates are the following:

- Standard rate: 20%
- Zero rate: for export of goods
- 7% rate: For specific medical goods and services
- 14% rate: For certain agricultural products

Land/ land lease tax

Land tax is a local tax that is levied by the local authorities. In general terms, the tax is payable by the owners of the land and lessees of public or municipal land

The taxable base is a normative value of the land or, if not defined, a fixed value.

Land tax rate are the following:

- General rate for land with normative monetary valuation: up to 3%.
- General rate for land without normative monetary valuation: up to 5%.
- Land in permanent use/ lease: up to 12%.
- Public use land, agricultural land with normative monetary valuation: up to 1%.

Taxpayers calculate the land tax annually as of 1 January and submit a tax return by 20 February of the current year. This return covers the entire year, with the annual amount divided equally by months. Payments to the local budget must be made monthly within 30 calendar days following the last date of the reporting period.

Real estate tax

Real estate tax is paid by legal entities owning residential and non-residential property. If the property is jointly owned, the tax is paid by each owner proportionally to their share or by one person agreed upon by all owners.

There are certain exemptions for the property to be considered as taxable, that include, among other industrial buildings under specific classification codes that are used within the predefined business activities (including supply of electricity) and are not leased to other parties.

The tax is calculated as the total area of the property (tax base) multiplied by the rate set by local councils (up 1.5%) and the minimum wage (in 2024 – UAH7,100).

The real estate tax return should be filed before 20 February of the reporting year for the full tax period (a calendar year). The tax is payable on quarterly basis within 30 calendar days after the end of the quarter indicated in the annual tax return.

Tax Incentives

Laws provide for the possibility of exemption from customs duties and VAT when importing equipment for the energy sector into Ukraine:

- Electric generator equipment;
- Equipment for wind and solar generation;

- Batteries (excluding low-capacity batteries).

Import operations of the following items into the customs territory of Ukraine are exempt from taxation:

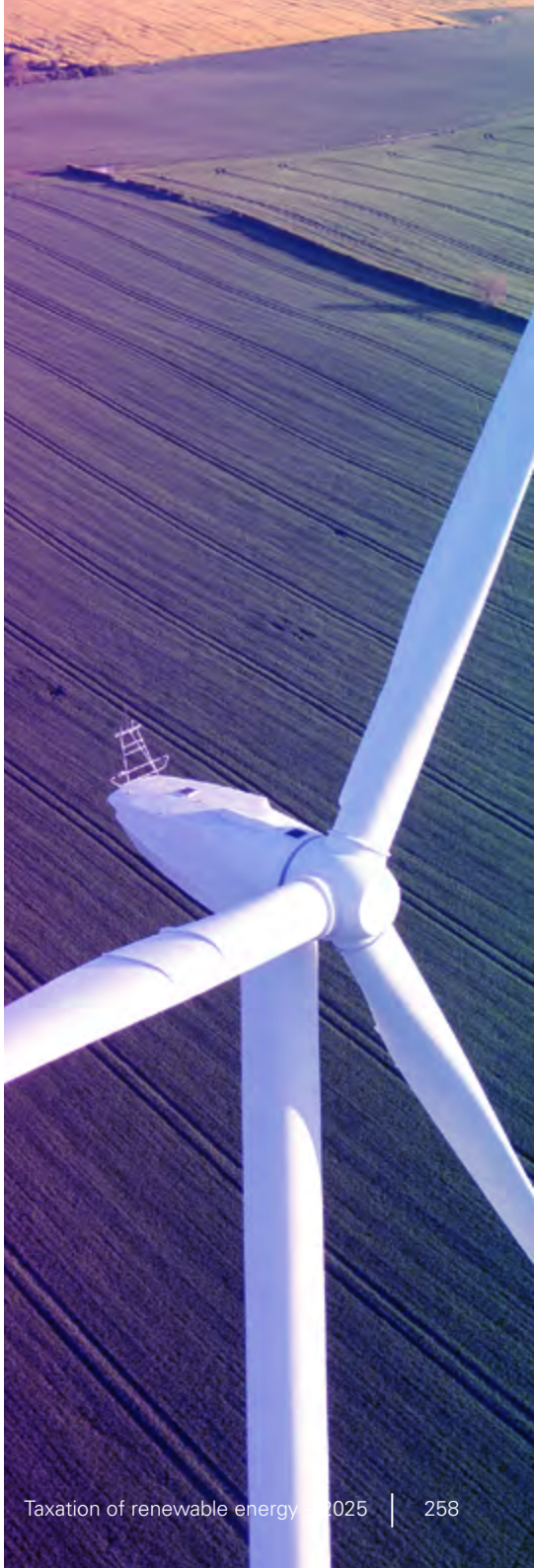
1. Equipment operating on renewable energy sources, energy-saving equipment and materials, measurement, control, and management devices for fuel and energy resources.

2. Equipment and materials for the production of alternative types of fuel or energy from renewable sources.

3. Materials, equipment, and components for the production of:

    - Equipment operating on renewable energy sources.
    - Alternative types of fuel or energy from renewable sources.
    - Energy-saving equipment and materials.
    - Measurement, control, and managunited kiement devices for fuel and energy resources.

The exemption applies if the goods are used for own production and similar goods are not produced in Ukraine.



United Kingdom

Corporation tax

UK corporation tax applies to the total taxable worldwide profits of UK tax resident companies, including income and chargeable gains (subject to certain exemptions) for each accounting period. UK corporation tax also applies to the profits of UK permanent establishments of non-UK resident companies.

Under UK domestic law a company will be UK tax resident if it is incorporated in the UK; or it is centrally managed and controlled in the UK.

The main UK corporation tax rate is currently 25%.

Taxable profits for UK corporation tax are calculated in accordance with generally accepted accounting principles ('GAAP'), but with certain statutory and other adjustments required by law.

Expenses are generally deductible in computing trading profits, provided they are of a revenue (i.e. not capital) nature and that they are incurred wholly and exclusively for the purposes of the trade, subject to certain statutory modifications, including:

- Pre-trading expenses – to the extent that a company incurs pre-trading revenue expenditure in the 7 years before the commencement of trading, a deduction should be available for these expenses on the commencement of the trade.
- Interest – interest is treated as trading expenditure where it is paid in respect of a loan taken out for trading purposes. Deductions against UK taxable trading profits are generally available for financing expenses with tax relief following the accounting treatment. However, this is subject to various anti-avoidance provisions including the corporate interest restriction ('CIR') and transfer pricing rules.

Capital expenditure - no corporation tax relief is available in for accounting depreciation, depletion or amortisation charges recognised in the Income Statement, instead relief is claimed via capital allowances. Most capital expenditure on a wind farm attracts relief through plant and machinery ('P&M') allowances computed on a reducing balance basis.

- Main pool – P&M assets with an expected useful economic life of < 25 years. Rate of 18% per annum (reducing balance basis).
- Special rate pool ('SRP') – P&M assets with a useful economic life of 25 years or more and other assets that qualify as "integral features" (certain elements of

buildings and structures). Rate of 6% per annum (reducing balance basis).

- Structures and buildings allowance – 3% straight line relief for qualifying construction expenditure on non residential buildings and structures (but not land).
- Full expensing – 100% deduction in the first year in respect of new qualifying P&M and 50% on SRP expenditure incurred from 1 April 2023.
- First year allowances – 100% first year allowances are available for certain types of qualifying expenditure. This currently includes capital expenditure on qualifying research and development ('R&D') and the first GBP 1 million of expenditure on P&M, through the Annual Investment Allowance ("AIA").

A new R&D regime was introduced from April 2024. The new regime applies the Research and Development Expenditure Credit at a rate of 20% to all groups regardless of size. This is an above the line taxable credit: the credit is then deducted from the tax liability hence the cash benefit is 75% of the credit (at the current 25% tax rate). Certain small or medium sized enterprises ('SMEs') can claim relief under the SME intensive scheme (enhanced R&D intensive support or "ERIS"), which can result in a payable tax credit.

Electricity Generator Levy (EGL)

EGL is a levy on the revenues of certain low carbon electricity generators, which was announced by the UK Government in November 2022. The EGL is charged at 45% on revenues above a benchmark amount from 1 January 2023 to 31 March 2028. The benchmark amount was initially £75 per MWh and is linked to CPI: the rate applying from 1 April 2024 to 31 March 2025 is £77.94 per MWh.

It applies on a measure of "Exceptional Generation Receipts" that groups realise from electricity generation from nuclear and renewable (including biomass) sources. The levy is limited to groups generating more than 50 GWh per annum of electricity and does not apply to electricity generated under a Contract for Difference entered into with the Low Carbon Contracts Company. There is an allowance per group of £10 million per annum, i.e. receipts up to this amount are not subject to the levy.

EGL is calculated on a group basis, defined as the ultimate parent, its 75% subsidiaries, and 75% subsidiaries of those subsidiaries. Other companies in the group will be jointly and severally liable.

There are also complex provisions in respect of the application of EGL to joint ventures.

A new investment exemption was introduced for certain investments where the decision to proceed is after 22 November 2023.

Special tax regime

No special tax regime exists for wind farm developments.

Uruguay

Tax overview

Income obtained from windfarm activities in Uruguay is subject to Corporate Income Tax (IRAE), which applies at the rate 25% on net Uruguayan source income obtained from economic activities of any nature carried out in national territory. The general principle to determine the net taxable income is to deduct from the gross Uruguayan source income (basically that obtained from activities developed, goods located or rights economically used in Uruguayan territory) the necessary expenses to obtain and maintain it accrued during the fiscal year.

Fiscal losses can be carried forward for five years. As a general rule depreciation is linear, based on expected useful life of the assets.

Uruguayan source income obtained by non residents is subject to Non Resident Income Tax (IRNR). This tax is levied, for example, as withholding on dividends paid abroad by IRAE taxpayers (7%), as well as on technical service fees, interest and royalties (12%). Reduced rates may apply under Double Tax Treaties executed by Uruguay.

Another direct tax applicable under Uruguayan law is Net Worth Tax (IP), levied on assets located in Uruguay less certain debts, as at the close of the fiscal year. For industrial and commercial business entities the tax rate is 1.5%.

In terms of indirect taxes, the main one to be considered is Value Added Tax (VAT), which applies on the internal sale of goods, on services provided within Uruguayan territory, on imports to Uruguay and on the aggregate value generated through real estate constructions. The basic rate is 22%, with a reduced rate of 10% applying to the sales of certain goods (including fish) and services.

Tax incentives

Wind Energy

As part of the renewable energy sector, windfarms are subject to certain tax exemptions and benefits.

Within the framework of Investment Promotion Law N°16.906, Decree N° 268/020 promotes investment in fixed assets through IRAE exemptions for an amount equivalent to a percentage of the eligible investment, based on an indicator matrix which takes into account different factors including exports, decentralization, job creation, clean technologies and R&D. In order to obtain this exemption, an investment project must be presented to the Comisión de Aplicación (COMAP), a government entity that will evaluate it and recommend to the Executive Power the amount of the benefits. The term

in years granted for the use of the IRAE exemption will be based on the matrix score and on the investment amount.

In relation to IP, an exemption is also granted for moveable goods and equipment affected to the activity during all their useful life. Civil works are also exempt from IP, during 8 years if located in the capital city (Montevideo) and 10 years if located in the rest of the country.

From a VAT perspective, exemption is granted to the importation of moveable goods affected to the productive cycle, as well as reimbursement of the VAT included in local purchases of the indicated goods as well as on construction services and materials.

Other benefits include exemption from customs duties on the importation of equipment affected to the activity provided it declared by the Ministry of Industry as non-competitive with the national industry.

Solar Energy

Besides the general benefits granted under Investment Promotion Law 16.906 (referred to above) the Uruguay tax system also contemplates specific benefits for the generation of solar energy.

A VAT exemption has been established for the sale of photovoltaic panels, as well as a reimbursement regime for the VAT included in the local purchases, importations and services required for their fabrication in national territory (article 38. N° 1, literal R of Title 10, TO 1996 and Decree 454/2016).

The importation of goods destined to the fabrication of solar panels in Uruguay is also exempt from customs duties, provided such goods are not competitive with the national industry.

Other benefits

Another benefit related to the renewable energy sector consists in the grant of an exemption from IRAE, IP and VAT of Fideicomiso REIF, a trust which combines funds from the United Nations and private banks in order to finance new and emerging renewable energy technologies, companies and activities, promoting investments with impact on the Uruguay renewable energy sector (Decree 59/024).

USA

Corporate income tax

Companies that produce and sell electricity from wind energy are subject to tax in accordance with whether they are organized as corporations or partnerships for federal income tax purposes.

U.S. corporations are generally subject to a 21% federal corporate income tax rate. Most states also impose income/franchise taxes on U.S. corporations which typically range from 4-10%. State income/franchise taxes and property taxes are deductible against federal income taxes.

U.S. partnerships are generally flow-through entities for federal income tax purposes. In the case of companies that are organized as partnerships for federal income taxes, the partnership must submit an annual federal income tax return to the government providing information about the partnership's income, gains, deductions, losses and credits for the tax year, however, the ultimate owners of the partnership include their share of those items on their own federal income tax return and pay tax at whatever federal income tax rate applies to them. Individual income tax rates vary. The top federal income tax rate for individuals is currently 39.6%. State income tax rates vary and typically range from 5-13%. Also, in the case of individuals, there is currently a limit (USD 10,000) on the amount of state income/franchise and property taxes that can be deducted against federal income taxes.

Wind energy projects are often held in partnerships in the United States in order to more efficiently monetize federal income tax benefits, including federal income tax credits (described below) and accelerated tax depreciation. Under U.S. tax rules, subject to certain conditions and limitations, in a partnership, net cash flow can be shared between the partners in a different ratio than items of taxable income, gains, deductions, losses, and credits.

The tax base for wind energy projects is generally calculated under the same tax principles that apply to other types of businesses. Wind energy projects are eligible for a 5-year recovery period for tax depreciation purposes. Under U.S. rules, property with a 5-year recovery period is recovered under a double declining balance method, switching to straight line depreciation when straight line provides a larger deduction. Property placed in service in a given year is generally subject to a half-year convention for first year depreciation, but with certain exceptions for companies that have back loaded their capital expenditures and for so-called "short years."

For a limited period, corporations and partnerships that place property in service with a recovery period of 20-years or less are eligible, at their option, to claim 100% expensing in lieu of regular depreciation. The expensing regime phases down over a period of years until it is completely phased out in tax years after 2026 (2027 for certain property with longer production periods).

Specifically, the expensing generally phase out is as follows:

- 100% for qualified property placed in service prior to 2023;
- 80% for qualified property placed in service prior to 2024;
- 60% for qualified property placed in service prior to 2025;
- 40% for qualified property placed in service prior to 2026; and
- 20% for qualified property placed in service prior to 2027.

In the case of certain property having a longer production periods with a recovery period of 10 years or more and a production period exceeding one year, there is a one year extension of the phasedown schedule.

In the United States, wind energy projects are not typically owned and operated by regulated utilities. In the typical scenario, an independent power producer sells its output to a utility. However, this is starting to change. For wind energy projects that are built, owned, and operated by regulated utilities, some special rules apply. Under the so-called "normalization method" of accounting required of utilities, the utility must pass the tax benefits of depreciation and investment tax credits back to customers over the book life of the underlying property. This can put pressure on the utility to have pricing which is competitive with third party independent power producers.

Finally, recent changes to the interest expense regime in the United States affect wind energy projects, as these projects tend to be highly leveraged. Specially, under new rules that are effective for taxable years beginning after 2017, in general, a corporation or partnership cannot deduct net interest expense in any given year that exceeds 30% of earnings before income tax - specially defined as taxable income less depreciation, amortization, depletion, NOL's, and certain other items. For tax years after 2021, depreciation, amortization and depletion are no longer backed out of the computation. Furthermore, as a result of the Covid-19 pandemic, temporary rules increased the 30% limit to 50% for tax years 2019 and 2020. While the limitation increase was not extended to partnerships for the 2019 tax year, 50% of the interest expense limited in that year may be deductible by owners in 2020 without being subject to the same limitation.

Special tax regime

Since 1993, the United States tax law has provided a special federal income tax credit regime for wind energy projects.

Taxpayers that own and operate new wind farms are eligible to claim a production tax credit ("PTC") over a 10-year credit period beginning on the date the facility is placed in service. The PTC amount for each taxable year during the credit period is the product of

the amount of energy produced by the facility and sold to unrelated persons, multiplied by the applicable PTC rate, which is subject to adjustment annually for inflation. A taxpayer may elect to claim an investment tax credit ("ITC") in lieu of the PTC for wind facilities.

Congress enacted the Inflation Reduction Act of 2022 (the Act") on August 16, 2022, and this legislation made substantial changes to the tax subsidies for wind energy facilities.

The Act creates a multi-tiered PTC rate structure, consisting of a base credit rate of 0.6 cents per kilowatt hour (in 2024) and, alternatively, a bonus credit rate of 3 cents per kilowatt hour (in 2024) (after the adjustment for inflation) that satisfy new prevailing wage and apprenticeship requirements, and the PTC rate is further increased if new domestic content or energy community requirements are satisfied. Projects can continue to elect the ITC instead of the PTC, as under prior law but the base rate is 6% and the bonus rate is 30%.

Prevailing Wage and Apprenticeship Requirements

In order to claim the PTC (or ITC) at the bonus credit rate, the taxpayer has to satisfy:

1. A prevailing wage requirement for the full construction period and for the duration of the 10-year PTC credit period, and

2. Apprenticeship requirements during the construction of the project.

The prevailing wage requirement means that taxpayers must ensure that any laborers and mechanics employed by contractors and subcontractors are paid prevailing wages during construction and, in some cases, for the alteration and repair of such project for a period of time after the project is placed into service. If a taxpayer fails to satisfy these requirements, the taxpayer may cure the failure by compensating each worker the difference between wages paid and the prevailing wage, plus interest, in addition to paying a $5,000 penalty to the Treasury for each worker paid below the prevailing wage during the tax year. If the failure to pay prevailing wages is due to intentional disregard, the taxpayer must pay three times the pay differential to laborers and pay a $10,000 penalty per worker within 180 days of the date of determination of noncompliance (hereinafter the "Prevailing Wage Requirement").

The apprenticeship requirement requires taxpayers to ensure that no fewer than the applicable percentage of total labor hours are performed by qualified apprentices. The applicable percentage for purposes of this requirement is 10 percent for projects for which construction begins in 2022. This rate is increased to 12.5 percent in 2023, and 15 percent thereafter. In the event a taxpayer fails to satisfy these requirements, the taxpayer may cure the failure by paying a $50 penalty for each labor hour for which the requirement is not satisfied ($500 if the government determines that the failure to follow the requirement was due to intentional disregard). There is also an exemption process in the event there is a lack of available qualified apprentices. (hereinafter the "Apprenticeship Requirement").

Projects that

1. commence construction prior to January 29, 2023 ("Safe Harbor Period") or

2. have a maximum net output of less than one megawatt

are treated as eligible for the bonus rate even if the Prevailing Wage and Apprenticeship Requirements aren't satisfied.

Domestic Content & Energy Community Rules

The domestic content provision provides a credit increase of 10 percent of the amount otherwise allowable with respect to such facility (e.g., from 3 cents per kilowatt hour to 3.3 cents per kilowatt hour).

The domestic content rule requires taxpayers to ensure that facilities are composed of steel, iron, or products manufactured in the United States. For purposes of these requirements, a manufactured product is deemed to have been manufactured in the United States if an applicable percentage of the total cost of the components of such product is attributable to components that are mined, produced, or manufactured in the United States.

The Act also provides a credit increase of up to 10 percent of the amount otherwise allowable for a facility located in an energy community. An energy community includes (i) a brownfield site, (ii) an area which has or had a certain amount of employment or tax revenues related to the extraction, processing, transport, or storage of coal, oil, or natural gas and has an above-average unemployment rate, or (iii) a census tract or adjacent area in which a coal mine has closed after 1999 or a coal-fired electric generating unit has been retired after 2009.

If the facility is financed with tax-exempt bonds, the PTC (or ITC) is reduced to the lesser of: (i) 15 percent or (ii) the percentage of tax-exempt bond financing relative to total capital expenditures.

Transferability and Direct Pay

Notably, for taxable years beginning after 2022, the Act provides that a taxpayer may elect to transfer the PTC (or ITC) (or any portion of the PTC/ITC) to an unrelated taxpayer for a cash payment and exclude such sale proceeds from gross income. The transferability election must be made annually and separately with respect to each facility.

In addition, certain tax-exempt or governmental entities may elect for the PTC (or ITC) to be considered a direct payment of tax and essentially refundable.

The credit phases out for projects that begin construction two years following the applicable year, which is the later of:

- The year in which annual greenhouse gas emissions from the production of electricity in the United States is equal to or less than 25% of the annual greenhouse gas emissions from the production of electricity for calendar year 2022 or
- 2032.

The applicable PTC (or ITC) rate will be 75% during the second year after the applicable year (possibly 2034 depending on emissions reductions) and 50% for the third year after the applicable year (possibly 2035, depending on emissions reductions). The credits will be unavailable for facilities that begin construction four years or more after the applicable year.

Offshore wind farms can claim the PTC above, or alternatively, they are eligible for a 30% ITC if they begin construction by the end of 2025 and are in-service within 10 years of the year following the year that they began construction. Given the high per-kilowatt cost of offshore wind farms relative to onshore wind farms, offshore wind farms are expected to typically claim the ITC.

Some states provide state income credits to incentive the production of wind energy in their states. However, many of these programs are temporary and subject to periodic review by state legislatures. States that have been active in this regard include Hawaii and Oklahoma. The status of any particular incentive should be checked before making an investment that depends on these incentives.

Venezuela

Corporate Income tax

Income Tax: Energy entities are subject to are subject to the normal Venezuelan corporate income tax regime within a fiscal year.

Taxpayers in Venezuela are subject to progressive taxation based on their net enrichment converted into Tax Units (U.T.) since the value of the Tax Unit is periodically adjusted by SENIAT. Currently, the value of the Tax Unit is 9 Bolívars.

Income Tax Rate	Tax Units	Percentage
By the serving of up to	2000 U.T.	15%
For the portion in excess - up to	2.000 U.T. – 3.000 U.T.	22%
For the portion that exceeds	3.000 U.T.	34%

The income tax return must be submitted within the first 3 months following the end of the fiscal year. For example, if the fiscal year ends on December 31, the corresponding tax return must be submitted to the tax administration (SENIAT) via the website before the end of March 31, except for those companies classified as special taxpayers, which will be subject to the declaration dates established by the special taxpayer[22] ' calendar.

Generally, the taxable base is determined by reconciling income, making the necessary adjustments after obtaining the net accounting profit to achieve a taxable profit. The Income Tax Law establishes parameters for the recognition of normal and necessary expenses to generate income. Those that are not normal or necessary and cannot be attributed to the cost will not be deductible in this determination.

The Income Tax Law sets forth that any tax losses may be carryforward and allocated to the income obtained for up to 3 taxation periods following the taxation period when the tax loss occurred, provided that such allocation does not exceed from 25% of the income obtained in each period.

Transfer Pricing Rules

Taxpayers must ensure that transactions conducted with related parties are agreed on at an arm's-length basis; consequently, taxpayers are required for tax purposes, to determine their income, costs, and deductions for those transactions using the prices and amounts of consideration that would have been used with or between independent parties in comparable transactions.

22 The SENIAT can designate certain taxpayers as special taxpayers, and this categorization is based on their annual income.

Technical assistance and technological services

These are understood as concessions for use and exploitation of invention patents, models, drawings and industrial designs, and all patentable technical documents.

The earnings of taxpayers which render technological services from abroad, or by those of persons or communities which use such services in Venezuela, are defined as 50% of their gross income and 30% for technical assistance.

When technical assistance and technological service contracts executed from abroad do not specify the portion of income corresponding to each concept, it is presumed that 25% of income is for technical assistance and 75% for technological services.

Also, unless specifically stated, it is presumed that 50% of the total income corresponds to services from abroad and 40% to services rendered in the country. Furthermore, earnings from royalties and similar payments are defined as 90% of the gross income from such sources.

Tax Treaties for the Avoidance of Double Taxation

Venezuela has signed several Treaties for the Avoidance of Double Taxation with different countries on income tax matters, as follows:

America: Barbados, Brazil, Canada, Cuba, The United States of America, Trinidad and Tobago.

Europe: Germany, Austria, Belarus, Belgium, Denmark, Spain, France, Italy, Norway, The Netherlands, Portugal, the United Kingdom, Czech Republic, Russia, Sweden and Switzerland.

Asia: China, the Republic of Korea, The United Arab Emirates, Indonesia, Iran, Kuwait, Malaysia, Qatar and Vietnam.

Net Worth Tax

All special taxpayers with a net worth exceeding from 150,000,000 U.T. by September 30 of each year are subject to the payment of this tax.

The tax base is the total value of assets and rights held, being this value determined pursuant to the rules established in this law and excluding liabilities and the value of charges and encumbrances vested upon such assets, as well as upon assets and rights exempted or exonerated.

For the purposes of determining the value attributable to the taxpayer's assets, the Net Worth Tax Law sets forth certain standards based on the type of asset involved, thereby prevailing the rules on the market value of the assets on the date when the tax return is filed.

Value Added Tax

The Value Added Tax (VAT) taxes consumption resulting from the sale of goods and services for consideration. It currently maintains a tax rate of 16%, which is calculated based on the goods or services being invoiced.

In accordance with the provisions contained in the Value Added Tax Law, all sales of tangible personal property and the provision of services, including import and export, are subject to VAT; unless there is an express exemption by law or an exemption granted by the National Executive.

The taxable base is the price of goods or services, which must not be lower than the

market value. The general VAT rate applicable to the taxable base can be modified by the National Executive and may vary between 8% and a maximum of 16.5%.

The rate applicable to the export of goods and services is 0%. The National Executive may apply an additional VAT rate that varies between 15% and 20% on luxury goods and services as defined by the VAT Law. The VAT on luxury consumption goods and services is currently set at 15%.

Municipal Taxes

Tax on Economic Activities

The tax on economic activities taxes the income obtained from economic activities generated within a specific territory (municipality).

According to the Organic Law of Coordination and Harmonization of the Tax Powers of the States and Municipalities, limits were established for the calculation of the tax, ranging from 0% to 5% of the gross income obtained within a municipality, depending on the type of activity, which will be rated within an economic activities classifier to determine the tax according to the specific activity.

Special Tax Regime

There is no special tax regime for renewable energy in Venezuela.

Vietnam

Investment incentives

Under the current laws of Vietnam, there are various investment preferences and incentives to investors who have investment projects in the preferential investment sectors and/or areas as follows:

- Corporate Income Tax ("CIT") exemption and CIT reduction from the first profit making year.
- A preferential CIT rate of 10% to 15%. (Normal rate is 20%)
- Import duty exemption on the importation of equipment, materials, means of transportation and other goods for implementation of investment projects in Vietnam
- Export and Import Duties;
- Land rental exemption or reduction.
- Accelerated depreciation of fixed assets.
- Losses carry forward.

Renewable projects are regarded as preferential investment sector which may be entitled to the above incentives. In particularly, the preferential rate of 10% is 15 years in addition to 4 year of CIT exemption and subsequent 9 years of 50% tax reduction.

The Corporate Income Tax ("CIT")

Law applies to all domestic and foreign entities that invest in Vietnam. The CIT Law expands the taxpayer pool to include all foreign enterprises having income from Vietnam regardless if they have a permanent establishment in Vietnam or not.

Taxable Income

Taxable income is defined as income derived from production, operation, and other sources from all business sectors and industries.

Deductions

In general, deductible expenses for corporate income tax purposes are reasonable expenses incurred related to income-producing activities of the business with supporting legal documentation. Deductions will be scrutinized by the tax authorities.

Capital gain tax

Immoveable property

The definition of immoveable property (property rich) is very broad. It includes but not limited to:

Land;

- Houses and constructions attached to land;
- Other property attached to land, houses and constructions;

- The immoveable property will be used to determine whether double tax relief can be applied for capital transfer. Wind power project is likely considered as property rich projects.

Indirect transfer

The regulations on indirect transfer are very limited. The tax authority interprets that indirect transfer involving Vietnam sourced income will be subject to CGT in Vietnam. However, it is unclear on how to declare and pay the tax.

Direct transfer

Transfer of limited liability company will be subject capital gain at 20% of net gain. Tax declaration and payment must be made within 10 days from the share transfer agreement's date or the approval date of the licensing authorities.

The draft new CIT Law is proposing 2% CGT on the sale proceed of capital transfer (regardless of indirect or direct transfer) of foreign shareholders. If the Law is passed, the Law shall become effective from 1 January 2026.

Value Added Tax

The VAT system in Vietnam applies to goods and services used for production, business and consumption in Vietnam. Two methods can be used to calculate VAT payable/refund. Taxpayers meeting the requirements can apply the credit method. VAT payable/refund under the credit method is the difference between VAT Output (VAT collected for sales) and VAT Input (VAT paid for purchases).

Taxpayer not qualified for the credit method can apply the direct method. Under the direct method, taxpayer will pay VAT by applying a deem rate on the added value of the transaction. Corporate taxpayer is required to file and pay VAT on a monthly basis. The standard VAT rate is 10%, but the rates are classified into four groups: exempt, 0%, 5%, and 10%.

VAT refund may be available for renewable projects during construction period.

Foreign contractor tax

Foreign organizations and individuals carrying on permitted businesses in Vietnam without a legal entity are subject to Foreign Contractors Tax ("FCT") comprising VAT and CIT. Applicable taxation rates will vary depending on whether a foreign contractor (from 1% to 10% for each kind of tax).

FCT is a major tax of an EPC contract for wind power projects. Depending on the tax declaration method opted by the EPC contractor, the tax obligation may rest with the investor or the EPC contractor.

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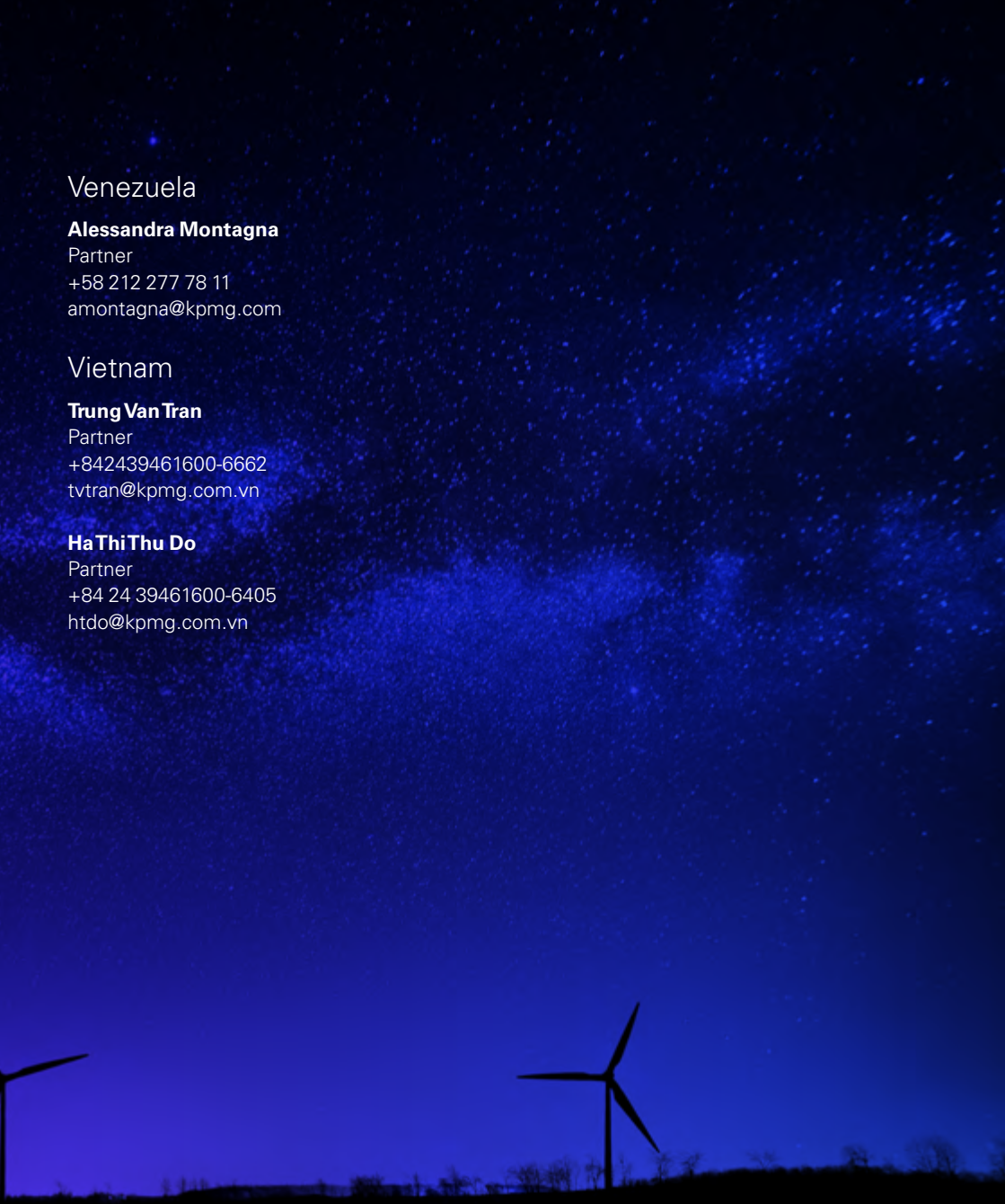

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MADE | MDE200732 (May 2025)