



INTERNATIONAL

COMPARISON

CONSTRUCTION WORK

UPDATED INFORMATION
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Albania

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| Civil Law | The Albanian civil code is used. |
| Labor Law | <ul style="list-style-type: none"> ■ The minimum wage for the construction employees is Lek40.000. ■ As per the Albanian Labor Code, the normal daily working hours for a construction worker may not exceed 8 hours, meanwhile the normal weekly working hours should not exceed 40 hours; the maximum 50 hours and the maximum per day is 10 hours. ■ In some cases when required and approved by the employer, the employee may perform overtime work. The rate for overtime working is +25%. According to the Albanian Labor Code, the employer is paid double during holidays. ■ The employer is obliged to document the beginning, duration and breaks of the working days of the employees. Those records are to be stored for at least 5 years. Note: The records should be always accessible and stored at the construction company's archive. The employees' contracts should be accessible at anytime as well and the employer should be able to prove the salary-, social security-, pension- and health insurance- payments. ■ If the employer is not insured, the company is penalized and then he/she immediately begins the insurance procedures. The penalty varies from Lek50.000 to Lek1 million. |
| Tax Law | <ul style="list-style-type: none"> ■ Referring to the Albanian tax law, the construction duration varies from 2-5 years. This depends on the volume of construction work. Once the construction permit has been granted, a minimum of 2 years is required to build a small construction object and a maximum of 5 years for a large construction object. ■ VAT is 20 percent. ■ There is a construction withholding income tax of 2-5 percent. ■ There is a 21 % tax which is paid on the social and health insurance of the construction employer. |
| Trade Law | * A license is mandatory for a firm to be involved in construction work in Albania. The licenses are renewable for the firm and the engineers. The latter have the right to get their licenses renewed for a period of 5 years. Licenses can not be issued for individuals. They can be issued only after the individual is hired by a construction company. |
| Accounting Principals | <ul style="list-style-type: none"> ■ In general the completed contract method is used. ■ Percentage of completion is used only for projects which are to be partially accepted ■ The construction site is evaluated with its manufacturing cost (including production-related overheads) |

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| Other considerations | Important web sites for invitation of tenders in Albania are: www.mppt.gov.al/ http://km.gov.al http://www.minfin.gov.al/ http://www.globaltenders.com/tenders-albania.htm http://tenders.hellotrade.com/albania/ |
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Argentina

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| Civil Law | It regulates the location of services in the Argentine Civil Code. Each local jurisdiction has its own legislation to regulate the Construction Industry. |
| Labor Law | <p>Particularities of the Collective Labor Agreement applicable to the 76/75 Construction Working day</p> <p>Working hours may not exceed nine (9) hours a day and forty-four (44) hours weekly.</p> <p>Basic Salaries:</p> <p>Specialized official..... €3,53 (per hour) Official..... €3,00 (per hour) Half Official..... € 2,76 (per hour) Assistant..... € 2,54 (per hour) Night watchman..... € 463 (per month)</p> <p>Holidays:</p> <p>a) 14 (fourteen) days when the seniority of services does not exceed 5 (five) years. b) 21 (twenty) calendar days when the seniority of services is up to 5 (five) years and does not exceed 10 (ten) years. c) 28 (twenty) calendar days when the seniority of service is up to 10 (ten) years and not exceed 20 (twenty) years. d) 35 (thirty five) consecutive days when the seniority of employment exceed twenty (20) years.</p> <p>Workers who have not provided half of the working days shall have the right to enjoy the holidays as follows:</p> <p>a) 1 (one) day for every 20 (twenty) days worked when their seniority does not exceed 5 (five) years. b) 1 (one) day for every 15 (fifteen) days worked when their seniority is more than 5 (five) years and less than 10 (ten) years. c) 1 (one) day for each 10 (ten) days worked when their seniority is more than 10 (ten) years.</p> |
| Tax Law | <p>Income Tax</p> <p>Criteria applicable to impute gross revenues in the fiscal year in case of works made for third parties whose term affects more than 1 fiscal year. The company may opt for:</p> <p>a) To assign to each tax period gross profit applying on the amounts charged during the same, the percentage of gross profit estimate for the total of the work. This is the most widely used method in practice. b) To assign to each period the really gross profit earned in the same by the progress of the work; c) To assign to each period the gross profit by applying the percentage of gross profit estimated for all the work on the cost of which was constructed in the fiscal year.</p> <p>Optionally for those works whose duration is under than 12 months, but that affect two fiscal periods, you can declare the total of the gross profit in the year in which you complete the work.</p> <p>For residents abroad who carry out construction works in Argentina, when the term exceeds 6 months it constitutes permanent establishment, subject to the income tax.</p> <p>V.A.T.</p> <p>Aliquot for general construction work 21 % Differential aliquot to work on own property or alien with destination to housing 10.50 %</p> <p>Gross revenues</p> <p>This is a state tax. As an example we cite the rates of 2 states very representative for the construction activity:</p> <p>City of Buenos Aires: 3 %. If the previous year the company had revenues higher than € 5.263,158 > 3.75 %. If they were higher than € 7.017.544 > 4 %. Province of Buenos Aires: 3,50 %.</p> <p>Stamp Tax</p> <p>It is also a state tax that taxes the work contracts signed in such state. As an example:</p> <p>City of Buenos Aires: 0,50 % Province of Buenos Aires: 1 %</p> |



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| Accounting Principals | <p>The method used is “percentage of completion” to recognize the revenues when: 1) The company has the financial capacity to complete the work; 2) There is a contract that assures the sale; 3) There are advances that set prices; 4) The profit realization is highly probably.</p> <p>If the results cannot be estimated with enough reliability, then for accounting purposes it corresponds: 1) To recognize ordinary income only to the extent that it is likely to recover the costs incurred as a consequence of the contract ; 2) The costs of the contract should be recognized as expenses of the period in which they are incurred.</p> |
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| Civil Law | The Austrian civil code is used. |
| Labor Law | <p>Contrary to all other EC countries (except Slovenia), in Austria there are minimum wages ruled in collective treaties for nearly all areas, whereas construction is divided into several subareas, each of which have their own collective treaty. The average working week of a construction worker is 40 hours; the maximum worktime varies from collective treaty to collective treaty (up to 60 hours), and the maximum per day is in general 10 hours. The rate for overtime working is +50% (night and holidays' rate is +100%, however again there are differences depending on the applicable collective treaty). The employer is obliged to document the beginning, duration and breaks of the working days of the employees. Furthermore, these documents have to be prepared in German language. Those records are to be stored for at least 1 year. Note: The records should be always accessible and stored at the construction site. The employees' contracts should be accessible at anytime as well and the employer should be able to prove the salary-, social security-, pension- and health insurance- payments. It is important to clarify ahead the problem with the fictitious self-employment of the construction workers. Should an audit from the authorities find a fictitious self-employment, then the employer is to pay the contributions.</p> |
| Tax Law | <ul style="list-style-type: none"> ■ In case the construction duration is longer than 6 months then there is a permanent establishment according to the Austrian tax law. However according to a double treaty agreement the duration may be extended up to 12 months. ■ In respect to the VAT: In case of a) a foreign construction company or b) a sub-contractor: Reverse Charge method, if the client is a taxable person (entrepreneur) or public corporation. Otherwise there is an obligation of VAT registration. ■ Payroll tax is payable if the work is or was performed or utilized in Austria or there is fixed place of business performed by the foreign employer for more than 1 month according to Austrian tax law; according to the double tax treaty only in case of a permanent establishment. |
| Trade Law | According to the trade law a firm should have commercial license in order to do construction works in Austria. However firms from the EU do not need to have a commercial license, if they don't have a permanent establishment and only work temporarily in Austria. |
| Accounting Principles | <ul style="list-style-type: none"> ■ In general the completed contract method is accepted by the tax authorities. ■ Percentage of completion is used only for projects which are to be partially accepted ■ The construction site is evaluated with its manufacturing cost (including production-related overheads) |
| Other considerations | <p>Liability of principal: The principal of construction works is liable for subcontractors' contributions (salary tax and social security) in case the subcontractor fails to pay them to the competent authorities. Liability can be avoided if either the principal withholds 25 % (20 % for social security, 5 % for salary tax) from the payment to the subcontractor, or if the subcontractor is listed in the so-called “HFU-list” (i.e. companies registered at the public health insurance.</p> |


Bosnia & Herzegovina

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| Civil Law | <p>The following laws regulates the construction activities in the entities of Bosnia & Herzegovina Federetion of Bosnia & Herzegovina (FBiH):</p> <ul style="list-style-type: none"> ■ Law on Physical Planning and Land Use(official Gazette of FBiH, No 02/06) and ■ Law on Construction Land (official Gazette of FBiH, No 25/03) <p>Republika Srpska (RS):</p> <ul style="list-style-type: none"> ■ Law on Spatial Planning (official Gazette of RS, No 84/02), ■ Law on Construction Land (Official Gazette of RS, No 41/03, 86/03) |
| Labor Law | <ul style="list-style-type: none"> ■ This sector records among the lowest salaries in entire B&H. ■ The average working week of a construction worker is 40 hours. |
| Tax Law | <p>Corporate Tax</p> <p>The resident legal entities and non-resident legal entities that have permanent establishments in BiH and that derive profits in the FBiH/RS/Brčko are considered to be taxable persons. Resident companies are taxed on their worldwide income, while non-resident companies are taxed on profits derived from sources in the FBiH/ RS and/or.Brčko.</p> <p>In FBiH “resident entity” is considered to be a corporation that has been established or has a residency registered in the court register on the territory of the FBiH.</p> <p>In RS, “resident” are the legal entities registered in the RS, business units or permanent establishment of legal entities from the FBiH or Brčko, and of foreign legal entities.</p> <p>In Brčko are those that have place of effective management or permanent establishment in the district. Permanent establishment plays a decisive role in determining the residency.</p> <p>VAT</p> <p>Supply of goods and services within the territory of BiH as well as importation of goods into BiH are taxable. Any persons who perform taxable transactions in a calendar year that exceeds BAM 50,000 must register for VAT purposes. Activities excluded from VAT relates to activities in the public interest, financial and monetary services and international transport.</p> <p>The standard VAT rate is 17%.</p> |
| Trade Law | <ul style="list-style-type: none"> ■ According to the trade law a firm should have construction license in order to do construction work in B&H. <p>Permits Required for Construction Works</p> <ul style="list-style-type: none"> ■ Location /urbanistic Permit ■ Environmental Permit (if deemed project may have a negative environmental impact) ■ Construction Permit ■ Operational Permit |
| Accounting Principals | General accounting priciples are used. |
| Other considerations | <p>Important web sites for invitation of tenders in B&H are:</p> <p>www.construction.cwctenders.com/tenders-bosnia-herzegovina.htm</p> <p>www.globaltenders.com/government-tenders-bosnia-herzegovina.php</p> <p>www.tenderi.com/</p> <p>www.ekapija.ba/website/bih/index.php</p> <p>www.ittinzenjering.co.rs/tenderi/tend10.htm</p> <p>www.ittinzenjering.co.rs/tenderi/tenderi.htm</p> |





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| Civil Law | <ul style="list-style-type: none"> ■ The Bulgarian Law of Territory Organization Part I; Part II and Part III and The Bulgarian construction chamber law are used. ■ The general terms (conditions) of contracts are appointed to the enactments (Rules; Regulations etc.) of the Bulgarian Construction Chamber. The membership of the organisation is not obligatory, but it is recommended as it is required by the Investors and Assignors. ■ Important: There are minimum guarantee terms of the constructions depending on the type of construction. These terms are starting from 2 up to 10 years. The regular terms are appointed in a Regulation of the Minister of Regional Development and Public Works. |
| Labor Law | <ul style="list-style-type: none"> ■ In Bulgaria there is a minimum base for calculation of the wages for the construction employees, depending on the position of the employee. These minimum base is between EUR 159,00 up to EUR 358,00 and respectively the amount of the wages per month, paid by the employer are between EUR 30,00 up to EUR 66,00. ■ The average working week of a construction worker is 40 hours. The normal working day is 8 hours. More than 40 working hours for a week is considered as overtime. ■ The rate for overtime working is +50% (night and holidays' rate is +150%) ■ The employer is obliged to document the beginning, duration and breaks of the working days of the employees. Those records are to be stored for at least 50 years. <p>Note: The records should be always accessible and stored at the construction site. The employees' contracts should be accessible at anytime as well and the employer should be able to prove the salary, social security, pension and health insurance payments.</p> |
| Tax Law | <ul style="list-style-type: none"> ■ In case the construction duration is longer than 6 months then there is a permanent establishment according to the Bulgarian tax law. However this might differ according to the double treaty agreement. ■ In respect to the VAT: In case of a) a foreign construction company or b) a sub-contractor: Reverse Charge method, if the client is a VAT registered company. Otherwise there is an obligation for VAT registration. ■ There is a construction withholding income tax of 10%: however it could be released upon application, if the company is a reliable taxpayer or not-taxable in Bulgaria. ■ Payroll tax is payable only in case of a permanent establishment. |
| Trade Law | <ul style="list-style-type: none"> ■ According to the trade law a firm should have construction license in order to do construction work in Bulgaria. However firms from the EU are only obliged to have 2 years experience in the construction work in their home country, if they don't have a permanent establishment in Bulgaria. |
| Accounting Principals | <ul style="list-style-type: none"> ■ In general the completed contract method is used. ■ The construction site is evaluated with its manufacturing cost (including production-related overheads) |
| Other considerations | <p>Important web sites for invitation of tenders in Bulgaria are:</p> <p>http://www.mrrb.government.bg/</p> <p>http://www.ksb.bg/</p> <p>http://archbox.blogspot.com/p/blog-page_931.html</p> |



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| Laws & Regulations relating to Construction-Real Estate Industry | <ul style="list-style-type: none"> ■ The Town & Country Planning Act ■ The Street & Building Regulation ■ The Immovable Property (Tenure, Registration and Valuation) Law ■ The Acquisition of Immovable Property (Aliens) Law Cap 109. ■ The Sale of Land (Specific Performance) Law |
| Labor Law | <ul style="list-style-type: none"> ■ General Labor Law provisions apply. ■ Average workweek is 38.5 hrs/week or 48 hrs/week including overtime. ■ If the employee works more than the normal hours he/she will be entitled to overtime compensation (subject to provisions stated in the contract) typically as follows: <ul style="list-style-type: none"> (i) for every hour of overtime work during normal working days, he/she shall be compensated at the rate 1:1½, (ii) for overtime work on Fridays afternoon, Sundays, Saturdays, Official holidays shall be compensated at the rate 1:2. |
| Tax Law | <p>Corporate Income Tax</p> <p>Non-resident companies are taxed on their income generated from permanent establishment (PE) in Cyprus with the 10% corporate income tax (CIT) rate. Considered as permanent establishment is a business that is wholly or partly carried out in Cyprus at a fixed address. Management offices, branches, factories, work shops, building and construction works & sites where it has lasted more than three months considered as PE. PEs located outside of Cyprus but held by a Cyprus tax resident can be exempt from tax if 50% of the income of the PE is an investment income and if the jurisdiction's tax rate where the PE is situated is significantly lower than e.g. 5% of the Cyprus CIT.</p> <p>VAT</p> <p>In general, VAT must be charged by the taxable person supplying goods/services. As "taxable" is considered every person, individual or legal entity, either resident or non-resident, that carries on business in Cyprus and has been registered as such in the VAT Register or is required to be registered according to the provisions of the VAT legislation.</p> <p>The VAT registration threshold is €15,600 per - annum. Effective from 9 March 2012, the supply of services (alone or in combination with the supply of goods) for the construction, transformation, demolition, reparation, maintenance of buildings or any other civil engineering work is subject to the zero rate. The VAT legislation provides that every taxable person must keep books and records for at least 7 years after completion of entries at the premises of the business.</p> |
| Trade Law | Permits relating to construction: Planning permit, Building permit, Cover permit, Division permit |
| Accounting Principals | <p>The directors shall ensure that proper books of account are kept and they are required to present supporting documentation (invoices, receipts, bank statements etc) for each company transaction. Failure to keep books of account in a proper way will result in the directors being liable to imprisonment for up to 1 (one) year or liable to a fine up to €1.000, or both.</p> <p>The Cyprus tax legislation provides that companies and individuals preparing audited accounts must pay their tax balance due through self assessment by 1 August following the year of assessment, and submit their tax returns by 31 December following the year of assessment. Failure to comply with the above deadlines shall result in the imposition of interest and penalties</p> |




Germany

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| Civil Law | <ul style="list-style-type: none"> ■ The German civil code is used. ■ The general terms (conditions) of a contract are declared according to the German Construction Contract Procedures Part B (VOB/B). ■ Important: The regular limitation period for warranty claims is 4 years according to the Construction Contract Procedures Part B (VOB/B) and 5 years according to the German civil code. |
| Labor Law | <ul style="list-style-type: none"> ■ In Germany there is a minimum wage for the construction employees. For West Germany it is 11,05€ (for basic work) and 13,40€ (for complex work). For East Germany there is a uniform minimum wage of 10,00€. ■ The average working week of a construction worker is 40 hours, the maximum 50 hours and the maximum per day is 10 hours. ■ The rate for overtime working is +25% (night and holidays' rate is +20%) ■ The employer is obliged to document the beginning, duration and breaks of the working days of the employees. Those records are to be stored for at least 2 years. Note: The records should be always accessible and stored at the construction site. The employees' contracts should be accessible at anytime as well and the employer should be able to prove the salary-, social security-, pension- and health insurance- payments. ■ It is important to clarify ahead the problem with the fictitious self-employment of the construction workers. Should an audit form the authorities find a fictitious self-employment then the employer is to pay the contributions. |
| Tax Law | <ul style="list-style-type: none"> ■ In case the construction duration is longer than 6 months then there is a permanent establishment according to the German tax law. However according to the double treaty agreement the duration is set to 12 months. ■ In respect to the VAT: In case of a) a foreign construction company or b) a sub-contractor: Reverse Charge method, if the client is a VAT registered company. Otherwise there is an obligation of VAT registration. ■ There is a construction withholding income tax of 15%: however it could be released upon application, if the company is a reliable taxpayer or not-taxable in Germany. ■ Payroll tax is payable only in case of a permanent establishment. |
| Trade Law | <ul style="list-style-type: none"> ■ According to the trade law a firm should have construction license in order to do construction work in Germany. However firms from the EU are only obliged to have 2 years experience in the construction work in their home country, if they don't have a permanent establishment in Germany. |
| Accounting Principals | <ul style="list-style-type: none"> ■ In general it is used the completed contract method. ■ Percentage of completion is used only for projects which are to be partially accepted ■ The construction site is evaluated with its manufacturing cost (including production-related overheads) |
| Other considerations | <p>Important web sites for invitation of tenders in Germany are:</p> <p> www.bund.de/DE http://ted.europa.eu/TED/main/HomePage.do http://www.infodienst-ausschreibungen.de https://www.lmbv-einkauf.de/ebp/ http://www.lvw-hessen.de/webcom/show_link.php/_c-931/_lkm-1016/i.html www.dtad.de www.wer-baut.de www.bau-ausschreibung.com www.bi-ausschreibungsdienste.de www.bau.net/bauass www.webvergabe.de www.bauausschreibungen.de www.ausschreibungsportal.com www.ava24.de </p> |





Macedonia

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| Construction Law | Construction Law: regulates issues regarding construction, reconstruction, adaptation, maintenance of a construction, preparatory works, preliminary works, building site and basic conditions for construction. The Law has been recently amended (end of 2011) and differentiates between 2 categories of construction project (depending on size and regional importance) which have separate sets of guidelines and licenses that are necessary to be followed/obtained. |
| Labor Law | <ul style="list-style-type: none"> ■ General Labor Law provisions apply. ■ Average workweek is 40hrs/week with an allowed overtime not exceeding 8hrs/week ■ Rate for work during holidays is +125% ■ Construction companies requiring a general construction contractor license are required to hire at least 5 (for type B licenses) people of which 2 engineers who hold an individual contracting license in order to obtain a B category company contracting license. For A category licenses, the company must hire 20 people of which 4 must hold an individual contracting license. Both category A and B contracting licenses are valid for 7 years. |
| Tax Law | <ul style="list-style-type: none"> ■ According to the FYR Macedonian law, a permanent establishment of a non-resident is, in addition to the OECD definition, also considered to exist if services, including consulting services, are provided for a period longer than 90 days in any 12-month period. ■ Corporate income (profit) tax rate is 10%. Companies with annual income of less than MKD 3 million are exempt from profit tax. For annual income between MKD 3 million and MKD 6 million, the taxpayer can choose to pay either (a) a 1% tax rate on its total income, or (b) 10% corporate profit tax levied on non-recognized expenses and understated revenues. VAT: companies are obliged to register for VAT if they render (or expect to render) annual revenue in excess of MKD 2 million. Voluntary registration is also possible for companies with lower turnover. ■ Reverse charge: In case of VAT supplies of goods and services from abroad where the supplier does not have taxable presence in FYR Macedonia, the recipient calculates and pays the VAT due. If registered for VAT purposes, the receiver is entitled to a VAT refund. ■ Taxpayers not established in the country who do not perform sales activities in the country (excluding those for which the reverse charge mechanism applies) are entitled to a refund for VAT included in the purchase price of goods and services purchased in Macedonia, subject to conditions. ■ Resident entities and PEs of non-residents deduct and pay withholding tax on various types of payments made to non-residents not having a PE in the country. ■ For fully incorporated resident companies, personal income tax is withheld from the gross salaries of employees and paid by the employer. |
| Trade Law | <ul style="list-style-type: none"> ■ Resident companies performing construction work must be registered in the Central Registry with a related main business activity. |
| Accounting Principals | All legal entities are obliged to prepare annual accounts at the end of each calendar year. Annual accounts have to be prepared in accordance with local accounting rules. Listed companies, large and medium-sized entities are also obliged to prepare and submit financial statements prepared in accordance with IFRS |
| Other considerations | Tenders for construction work in FYR Macedonia: http://www.cwctenders.com/search.php?notice_type_new[]=1&sector=0&region_name[]=MK |


Mexico

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| Civil Law | <ul style="list-style-type: none"> ■ The Mexican civil code is used. ■ There are specific regulations depending on the type of contract, either the service provider undertakes to execute all work including supplies and labor or only provide administrative support. |
| Labor Law | <ul style="list-style-type: none"> ■ In México there is a minimum wage for the construction employees depending on the functions performed. In other words, there are a minimum wage by specific activity. Additionally, there are 3 geographic areas. ■ The average working week of a construction worker is 40 hours, but it could be longer if some requirements are met. ■ Workers are entitled to double pay for the first nine hours of overtime. Overtime for more than nine hours per week earns triple payment. Some limits apply for overtime hours. ■ Labor Agreements may be a complex process because of the high ratio of absenteeism ■ Social Security has a specific chapter for construction employees that must be kept in mind all the time because it includes rights and obligations to be followed either by employees and employer. |
| Tax Law | <ul style="list-style-type: none"> ■ In case the construction duration is longer than 183 days then there is a permanent establishment according to the Mexican tax law. The term construction includes, demolition, installation, maintenance or even, assembly. Tax Treaties apply. ■ In respect to the VAT: Law deems that services are rendered in national territory if it is rendered, wholly or partially, by a person resident in Mexico, thus, by general rule as long as PE does not exist no VAT registration takes effect. ■ There is a construction withholding income tax of 25% of total income, however it could be lower applying a 30% rate only over profits. |
| Trade Law | <ul style="list-style-type: none"> ■ According to the trade law foreign constructors are allowed to render services as long as those projects are according with geographic regulations (permits, licenses, ecological matters, etc) However, for Public Work there are some limitations and foreign companies must participate in through a joint venture with Mexican entities duly registered and with proved experience. |
| Accounting Principals | <ul style="list-style-type: none"> ■ In general, percentage of completion is used |


Spain

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| Civil Law | <ul style="list-style-type: none"> ■ The Spanish civil code is used. ■ The general terms of a contract are declared according to Civil Law and Law of edification. ■ Important: Law of Edification states three different periods for warranty claims: 1 year for quality defects, 3 years for installations defects and 10 years for structural defects. |
| Labor Law | <ul style="list-style-type: none"> ■ In Spain there is a minimum wage for the construction employees. Each province states a different minimum. In general it is 13,96€ (for basic work) and 15,60€ (for complex work). ■ In general overtime working wage is 18,56€ (for basic work) and 20,75€ (for complex work). ■ The average working of a construction worker is 1738 hours per year. ■ The employer is obliged to document the beginning, duration and breaks of the working days of the employees. ■ Self-employment of the construction workers whose income from construction exceeds that 75% their rents will be considered as labour employees. ■ Severe regime of security measures is in force. |
| Tax Law | <ul style="list-style-type: none"> ■ In case the construction duration is longer than 6 months then there is a permanent establishment according to the Spanish tax law. However according to the double treaty agreement the duration is set to 12 months. ■ In respect to the VAT: if the construction duration is longer than 12 months then it is considered a permanent establishment and there is an obligation of VAT registration. ■ There is a construction withholding income tax of 15%, when construction services are delivered to companies. |
| Trade Law | <ul style="list-style-type: none"> ■ According to the trade law a firm should have construction license in order to do each construction work in Spain. Strict regime of licenses are required to begin any kind of construction work. |
| Accounting Principals | <ul style="list-style-type: none"> ■ Little company (<10 Million revenue) and professionals can apply free amortization. Normal companies only can apply it until March 2012, with some requirements. ■ Special Accounting rules applies. |


Montenegro

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| Civil Law | <ul style="list-style-type: none"> ■ In Montenegro construction work is regulated by the Montenegrin Law on Contract and Torts and Law on Spatial Planning and Construction of facilities. Note: Under the Law of Contract and Tort, construction contract is considered a contract for the work which the contractor undertakes to build a project in agreed time limit within a specific building on a plot or on such land, or on an existing facility perform any other building work, with a certain price. Construction contract must be concluded in written form. Under the Law on Spatial Planning and Construction of Facilities, upon completion of construction works, owner/investor will submit request to Municipal Secretary for Urban Planning in order to form an expert Commission which will receive the completed works. The Municipal Commission will then assign the estimation and measurements work to the particular Geodetic agency who will be responsible to make value report of the real property. |
| Labor Law | <ul style="list-style-type: none"> ■ Regulated by the Labour Law and by General Collective Agreement ■ The average working week of a construction worker is 40 hours, according to the Montenegrin Labour Law. ■ Earnings per employee are increased by the hour at least: <ul style="list-style-type: none"> - 40% for night work (between 22.00 pm until 6.00 am the following day); - 150% for work on national or religious holidays; - 40% for overtime. |
| Tax Law | <p>According to the Municipal Decision on property tax, owners of the real property are required to submit application for property tax to the competent tax authority of the municipality within 30 days from the date of acquisition of real property.</p> <ul style="list-style-type: none"> ■ The annually property tax shall be paid in two equal installments, the first one which is due on 30th June, and the second on 30th November of the year for which the tax is determined. ■ Tax credit on property tax <p>The amount of property tax for buildings, apartments as places of residence can be reduced by 20 % of the tax base including 10% for each family member. However, tax reduction cannot exceed 50% of taxpayer's tax liability. Furthermore, in the case when total tax base for all specific assets of taxpayer do not exceed € 5,000 (if assets are not used for obtaining the income), immovable property tax is not applicable.</p> ■ From the VAT standpoint, when it comes to providing services it is important to determine the taxpayer and the tax debtor of VAT rendered services. According to Montenegrin Law on VAT, the place of the performed services in relation to real property (including agency services in real- estate transfer, estimation of real - estate and preliminary construction works, architecture and authorized real- estate supervisory) is determined by its location, in our case it is Montenegro. <p>When performing construction services on a new or an existing buildings, VAT is calculated based on temporary situations (accounts) on the basis of the construction contract.</p> |
| Trade Law | <ul style="list-style-type: none"> ■ According to the Montenegrin regulation a company must have construction license issued by the Municipal authority in order to perform a construction work in Montenegro. Note: The construction permit validity periods are specified and are as follows: <ul style="list-style-type: none"> - Start of construction of the building - six months to one year - Completion of facility upgrades - up to one year - Completion of the conversion of the common parts of the building in a residential or commercial property - up to six months. <p>In case of exceeding the deadline, the competent authority may:</p> <ul style="list-style-type: none"> - Issue a remedial construction / construction permit - in the case of construction of the facility, - Extend the deadline at the request of investors - in case of an upgrade of the object and conversion. |
| Accounting Principals | <ul style="list-style-type: none"> ■ In general, the completed contract method is used in Montenegro. Also, taxpayers who provides book keeping are required to file a tax return no later than 30 March of each year. ■ The construction site is evaluated with its manufacturing cost. |
| Other considerations | <p>Important web sites for invitation of tenders in Montenegro are:</p> <p>http://www.nekretnine.co.me/, http://www.minekon.gov.me/ministarstvo</p> |


Romania

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| Civil Law | The Romanian Civil Code regulates the construction contracts. |
| Laws with special character | <ul style="list-style-type: none"> ■ Law no. 10/1995 on the constructions quality stipulates the duties and responsibilities of all parties in the development process (investors, designers, manufacturers, construction owners, public inspectors, planners) and the sanctions for infringement. The provisions of Law no. 10/1995 are applied to every category of construction – new, modernised, consolidated and repaired - but it foresees (article 2) some exceptions including one or two storey tenements, villages and temporary constructions. Therefore, a large number of individual houses are excluded from quality construction control. ■ Law no. 10/1995 on the constructions quality stipulates in article 29 that the designer, the certified specialist on verifying the projects, manufacturers and suppliers of materials and products for constructions, the executor, the certified construction supervisor responsible, the project specialist, certified technical expert are liable according to their respective obligations for hidden defects of the construction, arising within 10 years from the reception of work, and also after reaching this term, throughout the duration of the construction, for defects of the structural strength resulting from failure to satisfy the design and execution in force on its implementation. ■ According to the Law 50/1991 (republished) regarding the authorisation and measures for housing construction a company should have construction authorisation issued by the County Councils in order to do construction work in Romania. |
| Labour Law | <ul style="list-style-type: none"> ■ In Romania there is a minimum gross salary for the construction employees, which is set at 700 Lei. ■ The normal working week of a construction worker is 40 hours, the maximum being 48 hours (including overtime) and the average working hours per day is 8 hours (for 5 days with 2 days rest), the maximum per day being 10 hours. ■ Overtime is compensated with time off paid within the next 60 calendar days after their performance. If compensation with paid time off is not possible, overtime will be paid to the employee by adding an increase to the salary corresponding to its duration and cannot be less than 75% of the basic salary. ■ The employer is obliged to document the beginning, duration and breaks of the working days of the employees. The payroll will be stored for a period of 50 years. The labour contracts should be kept and the employment company's headquarters. |
| Tax Law | <ul style="list-style-type: none"> ■ In case the construction duration is longer than 6 months then it is considered as a permanent establishment according to the Romanian tax law. ■ In respect to the VAT: In case of a) a foreign construction company or b) a sub-contractor: Reverse charge method applies if the client is a VAT registered company. Otherwise there is an obligation to register for VAT. ■ There is a construction income tax of 16%; however it could be released upon application if the company is a reliable taxpayer or not-taxable in Romania. ■ Payroll tax is payable only in case of a permanent establishment. |
| Accounting Principals | <ul style="list-style-type: none"> ■ In general the completed contract method is used; ■ Percentage of completion is used only for projects which are to be partially accepted; ■ The construction site is evaluated with its manufacturing cost (including production-related overheads). |
| Other considerations | <p>System of legislative acts:</p> <ul style="list-style-type: none"> ■ Romanian Civil Code(Law no. 71/2011); <p>Ownership of buildings and dwellings:</p> <ul style="list-style-type: none"> ■ Law no. 114/1996 The Housing Act (Dwellings Law); <p>Regulation of the development process:</p> <ul style="list-style-type: none"> ■ Law no. 50/1991 (republished) regarding the authorization and some measures for housing construction; ■ Law no. 10/1995 on the quality of constructions; ■ Law no. 215/1997 on the Social House of Constructors; ■ Law no. 18/1991 The land fund; ■ Law no. 7/1996 on cadastre and real estate publicity; ■ Law no. 247/2005 on property and justice reform and accompanying measures; ■ Law no. 33/1994 (republished) on land expropriation for public use; ■ Government Ordinance no. 34/2006 regarding the award of procurement contracts, public works concession contracts and services concession; ■ Law no. 1/2000 on the restitution of the property rights to agricultural land and forests required under the provisions of the Land Law no. 18/1991 and Law no. 169/1997; <p>Government Resolution 525/1996 for the approval of general urban planning regulations;</p> <p>Taxation – housing-related coverage is found in several acts:</p> <ul style="list-style-type: none"> ■ Romanian Fiscal Code (Law no. 571/2003) – for the tax on salaries, income tax, tax on profit, VAT, local taxes and other incomes, etc; ■ Order no. 3055/2009 for approval of accounting regulations harmonised with European Directives; ■ Labor Code (Law no. 53/2003) – republished; ■ Ministry of Finance Order no. 1026/2000 on the application of zero rate of VAT to housing construction, consolidation and rehabilitation of housing and the construction of places of religious worship; <p>Related legislation:</p> <ul style="list-style-type: none"> ■ Law no. 213/1998 on publicly owned property; ■ Government Ordinance no. 3/2000 on the organisation of real estate agents' activity; ■ Law no. 241/1998 for the approval of Government Emergency Ordinance no. 92/1997 on stimulation of direct investments. |


United Kingdom

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| Labor Law | <p>The national minimum hourly wage rate for all employees (including construction workers) is as follows</p> <ul style="list-style-type: none"> ■ £6.08 - the main rate for workers aged 21 and over ■ £4.98 - aged 18-20 ■ £3.68 - aged 16-17 for workers above school leaving age but under 18 ■ £2.60 - the apprentice rate, for apprentices under 19 or 19 or over and in the first year of their apprenticeship |
| Tax Law | <ul style="list-style-type: none"> ■ All subcontractors carrying out construction operations in the United Kingdom for contractors are advised to register with HM Revenue & Customs (HMRC) for the Construction Industry Scheme (CIS). HMRC will then advise the contractor to make payments either without any deductions for tax or make payments subject to a 20% deduction. If a subcontractor does not register they will be subject to a 30% deduction on all payments made to them. The same applies to non-resident subcontractors. The amounts deducted will be treated as payments on account of liabilities of the subcontractor to make payments to HM Revenue & Customs and most cases will be treated as payment of tax. ■ A non-UK resident contractor company trading through a permanent establishment (PE) in UK will be liable to corporation tax on that PE's profits. For these purposes a building site or construction or installation project constitutes a PE. There is no duration period stipulated in the legislation but tax cases have shown that a PE exists if it last for more than 6 months. ■ VAT: Although the place of supply of construction services carried out in the UK is the UK, where the supplier is a non-established business and the recipient is a business customer, the obligation to account for UK VAT passes to the UK recipient under the Reverse Charge procedure. If instead the recipient is not a business (e.g. a private individual) the non-established supplier will have an obligation to register for and charge UK VAT. |
| Accounting Principals | <p>Assuming a corporate business, then annual accounts are required to be filed with the Registrar of Companies, which comply with either UK GAAP or IFRS, and also comply with the Companies Act 2006. It is common for such businesses to be considered 'small', in which case some small company exemptions are available which reduce the level of disclosure. All companies are required to be audited unless they are 'small'. With construction businesses, when considering whether they are small, one key consideration is the level of gross assets in the context of audit exemption, whereby the exemption is available if gross assets are below £3.26m (together with satisfying other criteria). Often, construction business may have high work in progress or stocks of land or property for sale, which often results in relatively small business needing to be audited as they fail the gross asset test. If part of a group, the size and location of the group as a whole may also impact on whether audit exemption is available. In terms of the accounting, one key area to consider is income recognition and the treatment of long term work in progress. Under UK GAAP, profits must be accounted for throughout a contract as the right to income is earned, regardless of whether the income is invoiced. Typically then, the recognition of both income and profit are accelerated, which impacts on how WIP is accounted for.</p> |





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