

## Table of Contents

<b>Executive Summary</b> .....	7
<b>The Role of the Tax System in Encouraging Foreign Direct Investment in Economies in Transition - A Report on Consultations with Economies in Transition</b> .....	15

### *Part I*

#### **General Analysis**

The importance of foreign direct investment .....	17 ✓
Non-tax factors affecting FDI .....	18 ✓
General tax factors affecting FDI .....	21 ✓
Costs and benefits of tax incentives .....	29 ✓
Types of general tax incentives .....	33
Comparison of the different general incentives .....	38
Special purpose incentives .....	42
International aspects of tax incentives .....	48
Conclusions on the design of the tax system to attract FDI .....	53

### *Part II*

#### **Reports on Consultations in Individual Countries**

Introduction .....	61
Czech Republic .....	63
Estonia .....	75
Hungary .....	89
Latvia .....	103
Lithuania .....	113

Poland .....	125
The Russian Federation .....	137
Slovak Republic .....	145

*Appendix*

**Illustrative Examples**

Example 1. Tax holidays and loss carryforwards .....	159
Example 2. Tax planning with high rates of incentive .....	162
Example 3. The impact of deferral on the rate of return .....	163
Example 4. Transfer of accelerated deductions through leasing .....	164